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Sir, for want of time, I will pass on quickly to a more important subject on which I wanted to speak on this occasion, for purpose of making a constructive suggestion with regard to handloom trade. The handloom weaving business is no doubt organized on some rational lines nowadays. The weavers themselves are given coupons and obtain their quotas of yarn from the pots to which they are attached. What is taking place is that in most of the villages these poor weavers are victimised by the so-called master weavers who perform the function of being middlemen or go-betweens between the wholesalers and the weaver himself. These master weavers are the people who take advantage of the poverty of these actual weavers. They advance them loans and then they give them the yarn and ask them to produce the cloth. The cloth is woven and handed over to these master weavers. When taking the cloth these master weavers take them prices which do not even give a living wage to the weaver; and these master weavers then pass on these goods either in bona fide channels or by way of profiteering in blackmarket. This is what is taking place. I suggest, Sir, that the Government should intervene in this matter and replace the master weaver in so far as least as the procurement side of this business is concerned. If the cloth woven by a weaver to whom yarn has been given on a prescribed, definite and known quantity must be passed on to an agency appointed by the Government who shall receive the cloth with Government stamp and then transmit it for distribution either to the master weaver if he has to be necessarily retained or any other agency the Government may appoint. I must now stop one more minute for me to complete my suggestion, Sir, that I may put it in a little understandable way.

"What I am submitting is that by so doing the Government will know how much yarn has been distributed, how much cloth has been prepared and if a greater quantity of cloth is obtained they will know that the excess of cloth must have only come from the blackmarket sources. I may tell you, Sir, that weavers are going to Bombay to get yarn in the blackmarket. I therefore suggest, Sir, that the Government should appoint in all weaving centres agencies to procure all the cloth woven by the weavers and not allow it to go into the hands of the master weaver."

MR. SPEAKER:—"The Hon. the Premier has to attend the meeting of the other House at 5 p.m. So he has requested me to adjourn this House now. Before doing so, I want to inform hon. Members that the statement just now made by the Hon. the Premier is being typed and it will be ready for distribution at 5 o'clock.

THE ROUND TABLE

QUARTERLY REVIEW OF THE POLITICS OF
BRITISH COMMONWEALTH

Volume XXIX

DECEMBER 1938 TO SEPTEMBER 1939

London: MACMILLAN & CO., LTD.

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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No. 110. MARCH 1938 Price 5/-
London: MACMILLAN & CO., LTD.

Printed in Great Britain and entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec. 397, P.L. and R.).

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THE AIR AND THE CITIZEN

I. THE DANGER

IF any thoughtful person in Great Britain were asked what was the most urgent national problem of the moment, he would surely reply: the need to prepare ourselves, as far as science and political organisation make possible, against the menace from the air. So much else turns on that need. Strategically, our ability to defend ourselves or to act in concert with other Powers anywhere in the world is qualified by our weakness at our most vulnerable point. Politically, our influence for world peace is at a minimum when we dare not run risks through our unpreparedness against the weapon that every civilian dreads most. At home, social and economic advance is possible only under conditions of security, which are but a dream while our defence of this weak joint in our armour is so disproportionate to the power by which it might be threatened. Such relative weakness has been realised abroad, and has played its part in the deterioration of international relations since 1931, and more especially since the advent of the national socialist régime in Germany in 1933.

We have on our side important advantages in the air arm. We produce probably the best aeroplanes, certainly the best aero-engines, in the world. The air force is keen and trained to the highest standards. Our scientists and inventors are among the ablest anywhere. Our great and varied industrial capacity is a vital strategic asset in an era of mechanised warfare. But against these advantages must be set a vulnerability which constitutes the greatest single menace to the security of the British Commonwealth and the furtherance of its interests and ideals.

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That vulnerability can be simply stated. Approaching one-third of the population of Great Britain lives in the south-eastern corner of England, east of a line drawn from Southampton to the Wash. The zone includes two naval bases (Chatham and Portsmouth), two great ports (London and Southampton) where vital overseas supplies are landed, and many centres of munition and other industries vital to the conduct of a great war. No part of it lies more than 320 miles from the nearest frontier of Germany. London, which with its suburbs houses ten million people, is well within that limit. Of course, Germany has her own vulnerable points, and so has France; the Rhine industrial area, for instance, from Emmerich to Karlsruhe, is an exposed target of critical strategic and industrial importance, within little greater bombing distance of England than London is of Germany—assuming that Belgian neutrality did not compel a long north or south detour. But that area comprises many smallish towns, no one of which is easily sighted from the air in war conditions, or liable to mass panic through inability to escape from itself, like the Great Wen, as Cobbett called London. The contrast however, lies not merely in the degree of vulnerability, but even more in the progress made in defence against possible bombing.

II. GERMAN, FRENCH, AND BRITISH MEASURES

THAT contrast must have been borne in upon Mr Geoffrey Lloyd, the Under-Secretary of State for Home Affairs, when with grimly Gilbertian courtesy the German authorities showed him, during his visit in January, the preparations made for defending their civil population against air attack. He found a highly centralised system under special department of the Ministry of Defence. Government produced gas-masks are on sale at low prices to the public. Every new factory has to build a gas-proof and bomb-proof shelter for its employees, and older factories are gradually

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equipping themselves in the same manner. Every factory employing more than 100 persons has to provide shelter of some kind. In many towns, Brown-shirts have organised the inspection and clearing-out of attics to reduce the risk of fire from incendiary bombs. Every factory, every public office, in the exposed area knows its air-raid routine, and the same may almost be said of every householder. Berlin, as well as smaller cities, has had several experimental black-outs, combined with realistic tests of the searchlight, anti-aircraft artillery, fire-fighting and other organisations. No less than twelve million people, it is reported, including large numbers of women, have enrolled in the civil corps for air-raid defence. These are additional to the conscript and professional army and other defence forces, the labour corps, munition workers, public service employees and others who would have duties of their own in time of war or emergency. As might be expected, the element of compulsion is not lacking. If a citizen is requested by the state police to become an air warden he cannot refuse, and if he selects a member of a household to be responsible for fire-fighting or giving first aid he, too, is obliged to accept.

When he went to France, Mr. Lloyd found a system more akin to the British in its reliance on local authorities. The following account was given by the *Times* Paris correspondent on the occasion of Mr. Lloyd's visit. The state meets the cost of protecting communications, of public shelters, gas detection services and first-aid posts, while the *départements* pay for the preparation of plans, especially those for the dispersion of the population, and the *communes* are responsible for the local watch service, warning signals, the extinction of lights, extra fire-fighters, demolition and decontamination squads. First-class industrial concerns, including all those engaged in national defence work, must organise their own protective measures. The supreme responsibility is, on paper, more divided than in Great Britain, where the Air Raids Precautions department of the

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Home Office has the whole matter of civilian defence in its hands. Besides the military *Défense Aérienne du Territoire*, several departments of the Ministry of the Interior play their different rôles. But this division is counterbalanced both by the unity and authority of the supreme defence command, and by the complete control of the Ministry of the Interior over the local authorities, through the centralised system of prefects and mayors.

A number of extremely strong shelters have been constructed at key points in Paris. These, however, can only serve for a comparatively few people, and cellars in private houses have been inspected and scheduled as useful shelters if they are strong enough. Every visitor to Paris is familiar with the notices in entrance halls and lifts indicating where the nearest such shelter can be found. There is probably cellar accommodation for about half the population of Paris, and plans have been completed for the dispersal of the remaining two millions, and of the population of other large towns liable to air attack. Advice concerning the strengthening of walls and ceilings and the storing of gas-masks, water, fire-fighting equipment and so on has been circulated, though it is reported that the average citizen has not paid much attention to it. Gas-masks may be bought here and there, but are not generally available.

In Great Britain, the Air Raids Precautions Act was passed before Christmas after a long financial squabble between the Government and the local authorities. The Act makes it compulsory for city councils and the other larger local authorities to prepare precautionary schemes. The Government pays for the central organisation and the supply of respirators to the whole civil population, for protective clothing and decontamination material used by the air-raid precaution services and for most of their other equipment. It also bears a proportion, up to three-quarters and in some cases more, of other local expenditure, including the cost of structural alterations in public buildings, the provision of refuges, and the recruitment and training of

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personnel for decontamination, emergency fire-fighting rescue and repair work. It has established a central training school at Falfield, through which pass the instructors charged with teaching air-raid wardens their duties. A general training school for air-raid precautions officers appointed by the local authorities is to be started in London and we are promised a special government training school for dealing with incendiary bombs. There have been experimental black-outs at Leicester, Southampton and the Medway area, and a similar exercise is contemplated for London. The Air Raids Precautions department of the Home Office is organised on a service footing under an inspector-general, Wing-Commander Hodsoll.

In the debates on the A.R.P. Bill, the Home Secretary and the Secretary of State for Air were able to cite some outwardly impressive particulars of the work already done. About 200,000 volunteers had already been trained in anti-gas duties, 10,000 doctors and a similar number of nurses had passed through a special course, 300 factories had been visited by organising officials of the Home Office. In particular, 20 million gas-masks were already available for the civil population, including 9 million in London, and they were being produced at a rate of 650,000 a week. This achievement in regard to gas-masks is unparalleled in any other country. No masks will be permanently distributed until the moment of acute emergency, though it is intended to issue samples temporarily to all households; the supplies are being stored in regional depôts, where they are "canned like fruit", as Wing-Commander Hodsoll put it, in order to preserve their material. If and when the time comes they will be distributed free to all.

But when we turn to the local schemes the achievement is far less heartening. Great cities like London have so far, to the public's knowledge, no complete scheme at all. The first local scheme in the London area, promoted by one of the suburban boroughs outside the county boundary, was reported early in February. In other parts of the country

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the rate of progress varies but is generally far from sufficient to overtake the procrastination of earlier years.

As yet not a single city or town in Lancashire has schemes (a fire-brigade scheme and a general scheme) fully approved by the Home Office department, and the schemes and practical measures already taken are at widely differing stages, according to the local circumstances (at Accrington the subject has never even been before the town council) and local needs.*

Admittedly it is unwise to judge probable future results by the present state of affairs, which is a legacy of years of apathy and neglect capped by a very considerable and zealous effort by the Home Office and the more energetic local authorities. But one factor seems common to nearly every area, and is all too likely to be prolonged beyond the present preparatory phase. That is the shortage of personnel. In Manchester, for instance, when a scheme was brought before the general purposes committee of the city council, providing for the adaptation of certain schools as base hospitals, the provision of a permanent first-aid centre, of 14 area depôts and 16 temporary first-aid posts, a decontamination service, an auxiliary fire-brigade service, a street-warden organisation and anti-gas training centres, at an estimated preliminary cost of £300,000, it was reported that at least 4,000 street wardens were required, but that only 800 had so far volunteered for service,† and that only 60 auxiliary firemen had been engaged, although as many as 2,500 were required. A series of articles on "A.R.P." in the *Times* of January 10, 11, and 12 stressed other present shortcomings. Above all, they drew attention to the lack of contact between the precautions programme and the individual householder or business man. People clamour to know "what they are to do", and often can find no one to tell them, or are given useless, conflicting or unauthoritative instructions.

* Quoted from one of three articles on "Lancashire's A.R.P." in the *Manchester Guardian*, February 7, 8, and 9.

† By February the number had increased to 1,100.

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III. UNIVERSAL NATIONAL SERVICE

UNDER both those heads—specialised personnel and individual duty—the precautions scheme must reach the private citizen, every private citizen, or it will fail in its purpose. The present system gives some people the wrong jobs, leaving the majority with none at all, but loading on others a pyramid of duties which they cannot possibly support in time of war. Among other industrial employers, shipbuilders and steel-works managers, for instance, are frequently pressed by the local and central authorities to give their workpeople facilities for joining the territorials, for becoming air wardens or emergency fire-fighters or otherwise participating in air-raid precautions. Yet they know well, and the authorities must know as soon as they pause for thought, that every one of those men will be needed, in the event of war, to work overtime building ships or making steel. This is not mere speculation. In the last war, many skilled workmen from key industries, who had been recruited into the armed forces, had eventually to be withdrawn, and restored to industrial work, at great expense of time, effort and money. That kind of thing would be repeated on a far greater and more dangerous scale in any future war unless every man—and woman too—had been assigned his place in a co-ordinated scheme of national effort. We do not know now or when the emergency may come, but we can be sure that if it comes at all it will come suddenly. Improvisation will be impossible. Another cogent reason for assigning every citizen his task and training him for it is that of morale. As the *Times* A.R.P. contributor wrote: "Ignorance and the feeling of helplessness are the causes of panic; the mere fact of having instructions to follow, duties to carry out, preparations to make is the best antidote to fear".

It is not only a question of air-raid precaution services. Another duty that would fall on the civil population in the

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event of war would be special policing to guard against sabotage, to patrol the lines of communication for dispersing city inhabitants or for military movement, and to control the black-outs during night air raids. But clearly the task is even wider than that. Industry, including distribution and public utilities, is the mainstay of defensive power, and if it is paralysed, either by damage or by lack of man-power or materials, then armies or navies cannot win a war. The population must be fed and clothed; millions, perhaps, will have to be removed from danger zones, and new lines of distribution built up for them. Some industries, such as munition works, aircraft factories, shipyards and their supporting industries, must expand vastly in the event of war, while others, less essential for the national effort, must be rationed or curtailed. Here is involved a great distribution of man-power, comparable in scale with the mobilisation of a great continental army, and every whit as important. Every nation has its military mobilisation plans laid well in advance; our equally vital industrial mobilisation must be planned in detail now, and the plans periodically revised.

Nothing less than universal national enrolment, with compulsory training or service for those whose appointed duties in an emergency require it, is adequate to the problem. The international political crisis, with its grave strategic implications, has run far ahead of our political and defensive preparedness, and we must make a supreme effort to overtake it while there is yet time.

The Englishman's instinct and all his traditions are against conscription. It smacks of militarism and fascism, calls up historical memories of the press-gang, and makes him think of unwilling cannon-fodder herded to death on alien battlefields. None of these things is implied in universal national service of the kind here contemplated. If we were never to send a large-scale expeditionary force abroad again, it would be none the less necessary. It does not even conflict with the conscience of the true religious

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pacifist. Men who would sooner themselves die than knowingly compass the death of a fellow-man would gladly enrol in services designed to save the lives of non-combatants attacked from the air, or accept their allotted rôles in a re-direction of internal economic life.

What the British citizen must realise, if he is to see his country safe, is that war is no longer an away match, a professional affair in which the private citizen need have no direct concern. There is no such thing as a private citizen in totalitarian warfare, nor in the totalitarian States which conduct themselves in peace-time in constant readiness for war. The dictatorships have great advantages over the democracies in the clash of power, whether that power is active or passive. Unless the democracies prove by their efforts that a strong national defence can be built up within the frame of freedom of expression and representative government, both they and democracy will perish.

Universal national service is to-day the most effective contribution Great Britain can make to future world peace. It cannot and will never be an instrument of aggression or a temptation to war. Its whole purpose is to make war obviously unprofitable for those Powers which most threaten the peace of the world, and thus to push war further and further into the background. Nor should it be a party issue, any more than conscription is a party issue in democratic and socialistic France. Rearmament is no longer a party issue in Great Britain, and universal service is the keystone of rearmament. In the disturbed and dangerous world we now live in, our influence for peace and justice, as well as our chance of surviving as a free commonwealth, depend on our strength, with that of our friends, against those who would assault us and our ideals. Our strength, in turn, is the strength of our most vulnerable point. Few will question where the weak point lies, and perhaps the time will soon come when the mass of people in Great Britain will cry out for that essential means of strengthening it which to-day seems far from practical politics.

THE IMMORTAL HERITAGE

WHICH of us who had even a fragmentary glimpse of the devastation wrought in the battle-areas of the war could ever forget it? It was something beyond all previous conception, that pounding and crushing of everything that had been distinct and individual in an ordered countryside into an utter shapelessness and namelessness. The villager returning to his village after the war doubted his own memory. And then the thought would come: what of the men who fought and died in their multitudes on those battlefields? What of those whose bodies, because of repeated bombardments, could not be recovered for burial or rest where they were buried? Earth in time would flower and grow green again, men would rebuild and restore their homes. But what memorial, what symbol of repose would there be for those who had suffered a yet more terrible obliteration? Each of the myriads of dead was a separate individual man. War bulletins would report their disappearance in abstract figures, as fractions of anonymous masses; but to someone at home each was a still-living memory, with a remembered voice, smile, gesture; and the human desire for a personal commemoration was strong.

As early as 1917, in the middle of the war, this need, recognised already, was acknowledged by authority. Sir Fabian Ware's proposal that an imperial organisation should be set up to care for and to maintain the graves of the fallen was officially approved. Now, after twenty years, Sir Fabian's report * on the work of the Imperial War Graves Commission has been published. Mr. Edmund Blunden,

* *The Immortal Heritage*; an account of the work and policy of the Imperial War Graves Commission during twenty years. Cambridge University Press.

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in an introductory note, points out that the Commission "has carried out its task with a vivid sense of the individual grave". And indeed, as one reads these pages, one is conscious of the warm human feeling that has inspired and pervaded these long labours and through so many years has not grown cold—the sympathetic comprehension of the natural desire of relatives that their dead, even though their bodies were never found, should be commemorated on the battlefield, or near it, where they laid down their lives. Of the many memorials of the missing, the Menin Gate at Ypres, the first to be built, commemorates by name nearly fifty-five thousand officers and men.

And still the work goes on. How many people in England realise that bodies found on the battlefields are still being buried? That even now they are coming to light at the rate of twenty to thirty a week? Yet thousands and thousands have never yet been found.

In reading this report one is first impressed with the formidable magnitude of the task of the Commission. We talk glibly of millions nowadays, but a million is an immense figure. The report cites a broadcast talk which made the figure live: if the Empire's million dead were to march four abreast in a continuous column, when the head of the column reached Whitehall the tail of it would still be in Durham. And these dead fought and fell in how many different parts of the world! Some 1,850 cemeteries and graveyard plots have been constructed, the largest of which contains 12,000 graves. The headstones are alike for each; there is no distinction of rank.

Next, looking through the illustrations in this little book, one is impressed with the comeliness and dignity of the cemeteries and memorials. Mr. Blunden writes of "these lovely, elegiac closes (which almost cause me to deny my own experiences in the acres they now grace) as being after all the eloquent evidence against war". At the outset there was the question of how to secure the best designs for the memorials. Should there be a public competition, or

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should one or two eminent architects be invited to decide on the general principles? In the winter of 1917-18 Sir Frederic Kenyon was asked by the Commission to advise; and he proposed that the designing of the cemeteries "should be entrusted in the first instance to young architects who had served in the war, but that principal architects of note, each in charge of a definite area, should be appointed to supervise and approve their work". The proposal was successfully carried out. A certain freedom and variety were thus ensured, the memorials being designed by architects for their own comrades-in-arms. Again there is the note of sympathetic understanding.

But it was not merely a question of design. There were often abnormal difficulties in the way of construction to be faced, as in the water-logged region round Ypres, which required the aid of the most skilled engineers in making foundations. Other problems were caused by climate and its effect on building materials. Throughout, the Commission has felt itself responsible in the first place to the relatives, anxious that the graves of their dead should be permanently preserved.

Not less important than the work of construction is the work of maintenance. The Endowment Fund, to which all the participating governments contribute, maintains a large staff of gardener-caretakers, and the Dominions are represented in the personnel roughly in proportion to each government's contribution. The welfare of these men and their families is the constant care of the Commission, a special committee dealing with the education of their children.

Sir Fabian Ware's simple narrative, so eloquent in its facts, is a record of patient labour, imaginatively conceived and carried out, of which he and his fellow-workers may indeed be proud. Apart from its material achievement, the work of the War Graves Commission is memorable for a signal success in securing co-operation among the partner nations of the Empire, a co-operation of which the tablets

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set up in cathedrals abroad are a visible symbol. "These cathedral tablets", says Sir Fabian, "are the first and only memorials to express in sculptured form the union of the partner nations in the British Commonwealth under one Crown".

Nor has this co-operation been confined to the peoples of the Empire. In all the lands, whether of those who were enemies or allies, in which men from all parts of the British Empire are buried, the Commission has been formally recognised as having authority to take charge of the British graves and cemeteries. And in the end it has been able "to unite France, Germany and the British Commonwealth in an organised movement of common remembrance of the dead of the Great War". International agreements have been made at various dates, under which committees of mixed nationality have been established. The latest of these is the Anglo-German-French agreement of 1936, creating a committee which also represents the German Government in all matters relating to German war graves in British territory and in British cemeteries in France. All this has meant long negotiations, but to achieve a success so inspiring for the future was worth much labour. The history of Europe is full of tragedies caused by failure to unite for a good end through insistence on small issues and the cherishing of prejudice. Here was a different spirit.

We cannot do better than quote Lord Trenchard's words, when he welcomed his French and German colleagues. "I believe", he said, "that the formation of this Committee may prove to be, in its way, a turning-point in human affairs. We have already, each in the manner which seemed to us most fitting, honoured our fallen comrades. May it not be that in this wider remembrance of them all, and in common and constant recalling of their heroism and their sacrifice, we may be permitted to hear their voice speaking for themselves and guiding our feet into the way of peace?"

JAPAN'S CHALLENGE TO THE WEST

THE first aspect of the China war that captured the mind of the British public was its effect upon the collective system of world peace—another blow to the anti-war pacts, another nail in the League of Nations' coffin. Later, Japanese bombing shifted attention to the horrors of air warfare and to the victimisation of the Chinese people. More recently still, attacks on foreign life and insults to foreign flags, culminating in the *Panay* incident, together with Japanese acts of interference with the customs and with the authority of the Shanghai Municipal Council, have turned the limelight upon a third aspect—the threat to foreign rights and interests in China and in the Far East generally.

I. JAPAN'S TWO VOICES

IN Japan itself the prospect of a collision with the Western, and particularly the English-speaking, nations has been discussed, in certain quarters, with a singular lack of reticence.

Now at last (wrote the *Japanese Times*) the vital interests of Japan have come to a complete clash with those of the great Western Powers. Japan must expand, but Japan cannot expand . . . without effecting such a complete change in China as is bound to challenge the interests and prestige of Great Britain and America.

Admiral Suetsugu, who three years ago was naval commander-in-chief and is now the Minister of Interior and a member of the inner ring in the Cabinet, has put the issue

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on a broader racial basis. In an interview printed in the Tokyo magazine *Kaizo*, he is represented as saying that the coloured races must be freed from the bondage of the whites, and as suggesting that Japan's "peace-stabilising" mission will imply the ejection of the white races from East Asia.

General Matsui, the commander-in-chief at Shanghai, uttered a milder but more immediate warning in an interview on January 29.

I am afraid (he said) that if Great Britain goes beyond a policy of simply defending her interests in China, and makes a determined stand to maintain her political and economic relations with the Kuomintang, a conflict of a very serious nature may arise between our country and our former ally. Britain's support of the Kuomintang régime is emphasised by the steady exchange rate of China's currency since the outbreak of hostilities and also by the large amount of arms and ammunition supplied to this régime. Considering the growth and development of our country it is inevitable that Japan should expand in China. Lack of appreciation of this situation on the part of Britain may, I am afraid, lead to unnecessary conflict between the two countries.

These are utterances by persons in authority. For what is said when the official lid is off, we may perhaps turn to a report * in the *Hinode* magazine of a discussion it had organised among a number of retired senior officers on the subject "If Britain and Japan Should Fight".

In the present affair (said Vice-Admiral Moriyama), China is of course the ringleader, not Britain, but I think . . . the hostilities would not have started had not Britain been inciting China all along. . . . The British idea of trying to preserve for eternity its interests in the Far East, especially in China, is a fundamental mistake.

The Vice-Admiral was followed by Lieut.-General Itami, whose epithet for Great Britain's rôle in the China conflict, with some of his other remarks, the magazine did not think fit to print. He had returned from England in 1923, he said, with the conviction that Great Britain would collapse

* Quoted in the *Trans-Pacific* weekly, Tokyo, which described the *Hinode* magazine as "read widely by the masses".

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during his grandson's generation; after the Manchurian "incident", he had amended his forecast to his son's generation; but now that he saw Great Britain behaving like "a madman or one who is half sick" he regarded her as bound to collapse in his own generation. He was "all for giving Great Britain a painful little blow so it will realise Japan means business". Some of the participants in the discussion pooh-poohed the notion that Great Britain might "show fight", but Lieut.-General Watanabe questioned the wisdom of running such risks while Japan was in the midst of a fight with China.

Are there not many less awkward ways of punishing Britain? The logical conclusion of what we have said so far is that, as the ringleader in the China incident is Britain, the purpose of our operations in China must be first to awaken China and then to sweep from China the influence of Britain, as the instigator of the trouble.

This view was supported by Vice-Admiral Masataka, who, after remarking that "unless Japan peels off the thick skin of the British for all Orientals, especially the Chinese, to see, eternal peace will not dawn in East Asia by a defeat of the Chinese themselves", continued:

I believe a policy of gradual and persistent pushing would be the most effective. In other words, we should turn the tables on the British by using China to dislodge British influence from China. . . . We should respect fully the economic rights and interests of Britain in China and let its burgher (? *bourgeois*) spirit be satisfied to the full. Meanwhile, we should bring pressure on it politically so that it will withdraw on realising the losses it is really suffering.

Official statements from Tokyo, by contrast, have been full of soothing assurances. Addressing the Diet on January 22, the Foreign Minister spoke of misgivings in Europe and America as to an intention on the part of Japan to expel foreign interests from China, and went on to say:

Let me state explicitly that not only will Japan respect to the fullest extent the rights and interests of Powers in the occupied

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areas, but she is prepared, for the purpose of promoting the welfare of the Chinese people, to leave the door wide open to all Powers and to welcome their cultural and economic co-operation there.

Apart from the fact that similar "open door" assurances, freely given in regard to Manchukuo, have been proved largely illusory by the experience of the last five years, the sharp discrepancy between Mr. Hirota's correct phrases and the bellicose tones of Japanese military spokesmen when addressing their own people is a forcible reminder that Japan's policy is always in danger of passing out of the control of the more moderate statesmen into that of the young officer class, who are determined to make Japan supreme in the Far East. The outlook is, in any case, serious enough to call for careful study. It may be well to begin by examining the foreign interests involved, especially those of Great Britain, in order to see wherein they consist and to estimate their importance.

II. GREAT BRITAIN'S STAKE IN CHINA

THAT British interests in China are purely commercial has been almost a set formula in speeches and public pronouncements on the subject of Sino-British relations during the last ten years. Even if this truly represented facts before the existing conflict began, it certainly is not hold good in the light of the new developments. It will be useful, nevertheless, to take the commercial stake in China as the starting point of our present examination. British economic interests fall into three categories, investment, trade and shipping, which, although they are closely interlocked, can be treated under separate heads. The census of foreign investment in China is difficult to make, but thanks to a comprehensive investigation carried out a few years ago by Mr. C. F. Remer, an American economist, we can form a broad picture of the facts. Out of a total of foreign investment in China of something in the region of £500 million, the British investment is

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reckoned at roughly £225 million, that is to say only a little short of one-half. The United States and France follow next, but a long way behind, with about £40 million each (the French investment being largely comprised in the single asset of the French-owned Yunnan railway in the far south-west of China). No certain comparison can be made of our investment in China with our foreign investment as a whole, owing to differences in the definition of "investment" and in methods of computation, but according to Mr. Remer's calculation the proportion is approximately 6 per cent. Roughly one-fifth of the British investment in China takes the form of Chinese government loans, of which railway loans are an important portion; the rest, grouped under "business investment", consists of trading concerns, shipping and banking, manufacturing and mining, real estate and public utilities in the treaty ports. In order of importance, the trading concerns come first, forming one-quarter of the whole, followed by real estate (21 per cent.) and manufacturing (18 per cent.). Investment in Chinese government loans is spread among a large number of British bondholders. In general, however, the interested parties in British investment in China are a rather limited class, including several "family" firms which have built up widespread and prosperous businesses in the course of several generations, and a small number of real estate millionaires, some of Asiatic extraction, whose permanent home is China.

The export trade of the United Kingdom to China was valued in 1936 at about £9 million, which was 1.3 per cent. of total exports, and roughly double that percentage of exports to all *foreign* countries. Its character has been undergoing a notable change in recent years. The great Chinese market for Lancashire cotton goods has been rapidly dwindling, but its place has been taken by a large and expanding market for engineering products, of which British manufacturers have secured a considerable share.

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China's exports to Great Britain exceed her imports of British goods in value; by far the largest item is that of eggs and their derivatives, which are of interest mainly to the confectionery business. Of the other British Commonwealth countries, those most closely interested in trade with China are Canada and Australia, as suppliers of the foodstuffs—wheat and flour—which China imports in great quantities in years of poor harvests or disturbed internal conditions.

The United States, though so far behind Great Britain in the amount of her vested interests, leads easily in trade. In 1936 she took more than a quarter of China's exports and provided one-fifth of her imports. Germany's interest in the China trade has grown fast in the last two or three years, the German share of Chinese imports (16 per cent.) already surpassing that of the United Kingdom, though her share in the export trade is still considerably less (5½ against 9 per cent.). These three countries and Japan, which comes next in order to the United States, account for well over one-half of the total China trade, the only other single country with an important share being the Netherlands East Indies, which, like the United States, does a large business in petroleum oil.

In a country so dependent as China on ocean, coastal and river-borne trade, the shipping interests are naturally very great. The customs returns of vessels entering and leaving the so-called "open ports" show that slightly over a quarter are Chinese, while nearly 40 per cent. carry the British flag. Apart from Japan, with 17 per cent., no other individual country has any substantial share. In the domestic trade the British interest is mainly confined to a few large companies, with their headquarters in China or Hong Kong, which own, beside their fleets, valuable properties in the shape of wharves and docks at those ports. The dominant position which these companies have created for themselves in China's domestic carrying trade is an important British asset, but an asset

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that was already visibly threatened by the growth of Chinese national sentiment. Of the ocean shipping business—comparatively unaffected by the progress of Chinese competition—more than one-third was under the British flag in 1936. As several of the big British shipping lines include China in their itinerary, the effects of any permanent interference with British shipping running to Chinese ports would be felt widely in what may fairly be termed Great Britain's major industry.

British commercial interests in China comprise, then, an investment that adds, in a normal period of peace, £5 million to £10 million a year to the British national income, and provides employment for a large number of the 13,000 British subjects living in China; secondly, a trade in commodities which in the past has furnished a livelihood for many thousands of Lancashire operatives, and, if allowed to develop naturally, might be expected to do the same for similar numbers of workers in other branches of manufacture; and, lastly, a valuable field of activity for British shipping.

The existence of these interests is closely linked up with the so-called "treaty-port system". The system owes its origin partly to special privileges and territorial concessions accorded in the past to foreign Powers by the Government of China, and partly to the peculiar trading methods adopted by foreign merchants in order to cope with the unique conditions under which trade was conducted in China in earlier days; these included the language obstacle, differences in manners and customs, the difficulties involved in negotiating with Chinese officials, the complications of Chinese currency, and above all the absence, in the interior of China, of security afforded by law and order. Out of these conditions there grew up the treaty ports, administered with various degrees of foreign control, of which Shanghai is incomparably the most important. In the treaty ports there have been established, for the handling and financing of the trade,

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large foreign agencies, consisting of banks and business houses equipped with a specialised organisation and personnel. On this structure—of which the colony of Hong Kong must be accounted an integral part—foreign commercial interests in China have been very largely built up, and upon its continuance they very largely depend. Their dependence further extends to another product of the early days of the Western "impact" on China, namely, the Chinese Maritime Customs, which, under the terms of international agreements, is administered by an Inspector-General of foreign (British) nationality, assisted by a partly foreign staff.

The treaty-port system and its connection with British interests in China have a particular importance when we come to consider the vulnerability of those interests. The fact that trade passes through the "bottle-neck" of the treaty ports, and that its nerve centres are bunched together, so to speak, at those ports, lays it open to attack by any hostile authority exercising control on the spot. The holders of Chinese government bonds, for instance, are intimately concerned with the administration of the customs, the revenue of which constitutes the security for a great part of the loans; being collected at the ports, it is obviously exposed to interference by a foreign Power exercising *de facto* control. Again, a considerable part of the private industrial investment takes the form of foreign-owned factories, nearly all of which are in the treaty ports, principally Shanghai; real property holding is almost wholly limited to these areas, and the same is true, of course, of the banks, import and export houses, packing factories, insurance companies, shipping and cable offices and so forth which are essential links in the chain of Chinese commerce.

This makes them a particularly easy victim for any Power that might acquire a position of direct or indirect control over the local administrations in the treaty ports, and might wish to undermine the interests of other foreign

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countries. If this same Power were further able to dominate the actions of the central Government of China, or of whatever regional Governments might have taken its place, it would have, of course, still greater opportunities for damaging foreign interests through the manipulation of the customs tariff, the encouragement of discriminatory practices in the public services (including ports, posts and telegraphs, railways and airways), the creation of state monopolies, the enactment and application of company laws and tax regulations, and a score of other methods.

III. THE PACIFIC EQUILIBRIUM

THE above picture of British interests is a circumscribed one, limited to the commercial stake in China. It is now necessary to look further afield, and to consider the political factors, which stand out prominently in the light of the new situation in China. For more than a century, Great Britain has held a recognised position as one of the great Powers in the Pacific, and up to the present time she has had an important voice in all the major political arrangements that have been made for that area. To what does she owe this influential position in so distant a part of the globe? To three things in particular: first, to the strength of the British navy; secondly, to the existence of the three countries of the British Commonwealth lying in, or bordering on, the Pacific, and of Great Britain's string of colonial possessions stretching across the tropical belt of that ocean; and, lastly, to the prestige that she derives from her position in China and Hong Kong. It is, above all, the last of these three assets that has enabled her to play a leading rôle in Far Eastern politics for the past hundred years, and more intensively since the conclusion of the Anglo-Japanese alliance in 1902. Without the status thus afforded, Great Britain would have had no adequate claim to take the part that she actually took in bringing about the Washington

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agreements. Without it she could never again hope to exert effective influence in establishing political equilibrium in the Far East, or indeed in the Pacific area. If Mr. Stimson is right in his view that the Five-Power naval agreements were themselves indissolubly connected with the China provisions of the Washington treaties, it is arguable that only Great Britain's recognised interests in the eastern Pacific enabled the naval ratio to be established. In any case, the liquidation of those interests—which would mean that the fate of China would cease to be a direct British concern, and that British prestige in the Far East would vanish—could not fail to alter profoundly the standing of this country in all Pacific affairs.

IV. JAPAN LOOKS SOUTH

IN considering the Japanese challenge to the West, one cannot stop short at the threat to the interests of the Western Powers in China itself. It is common knowledge that, in opposition to the protagonists of continental expansion, there exists in Japan to-day a body of opinion, generally described as the naval or the "southern" school, which maintains that Japan must seek new fields to exploit among the tropical islands and archipelagos of the Pacific.

The lure of expansion to the south is naturally great. From the point of view of emigration, the southern territories offer the warm climate in which the Japanese colonist flourishes best. From the point of view of raw materials, they offer abundant quantities of the oil and rubber and, in a lesser degree, the ores for which Japan's industries and arsenals are crying out, and which she lacks in her own territories. It is common knowledge that the authorities in the Netherlands Indies have had fits of nervous apprehension of possible Japanese aggression during the last few years. Even Australia has not been free from such qualms. At the moment it may appear that Japan has too much on her hands for her to undertake

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fresh adventures, but we must not lose sight of the fact that, if the Western Powers should attempt to restrain Japan in China by economic sanctions, and if Japan should hit back, the natural form of retaliation would be an attack on their colonial possessions in the Pacific Ocean.

The magnitude of the British interests at stake in the event of such an attack needs no emphasis. From Singapore to Port Darwin, the chain of Dutch and British islands forms a protective barrier for our lines of sea communications with the Australasian Dominions, and provides the necessary stepping-stones for the air lines which are becoming more and more important as strategic and commercial links of the Empire. As regards economic value, the Malayan countries and Borneo, besides their supplies of oil, provide one-half of the world's rubber and one-third of its tin; in the rubber plantations alone, British investments are reckoned at £90 million. As a market for British goods these countries rank ahead of China, taking more than 2½ per cent. of total British exports.

While the defence of this area is a vital concern for the Netherlands, for Great Britain and for the British Commonwealth as a whole, it is only a degree less important for France, who could not expect to retain her position in Indo-China if she was outflanked by Japan to the south. Nor can the United States disinterest herself in the fate of the Pacific islands so long as she has on her hands the defence of the Philippines—so long, that is, as the American navy retains its base at Cavite.

The wider strategic considerations lie outside the scope of the present article. But before we leave the subject it will be well to examine a little more fully the position of Hong Kong. Although often classified as a "strategic outpost", Hong Kong's military value in war time, except as a factor in any delaying tactics, has become at the best very questionable. The island would be extremely difficult to hold against Japanese naval and air forces with

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bases as near to it as Formosa, or very much nearer still if Japan remains in occupation of certain islands and places on the mainland, in and around the Pearl river delta, where her troops are reported to have landed in the course of the recent hostilities. In the event of the temporary loss of the colony, to count on its being retrievable at a later stage would be cold comfort in view of the destruction that war operations, followed by enemy occupation, would certainly inflict on the buildings, shipyards, docks, factories and other valuable properties that congregate thickly round the harbour of Hong Kong; these, with the business interests attached, represent a British investment of nearly £20 million. Nor can we ignore our responsibility towards the many thousands of British subjects, most of them of Chinese origin, in the colony, for whom the alternative to slaughterous bombardment might be surrender to the mercies of a Japanese occupation.

Although Hong Kong as the pivot for China trade has been gradually "losing out" to Shanghai over several decades, its political and commercial importance has been greatly heightened by recent developments in the course of Chinese economic reconstruction, particularly by the completion of a railway system which now links central China with Canton and Hong Kong, and by the industrial exploitation of the southern provinces themselves, a field in which, if progress can be resumed, British capital has every prospect of playing a leading part. Any threat to Hong Kong must be viewed in the light of these considerations, with an eye, that is, to future prospects as much as to present conditions.

V. THE HEART OF THE DANGER

HAVING ranged over the whole wide area of British interests in the Far East, we must now weigh up as precisely as we can the danger with which they are faced. For an object lesson of how foreign interests fare under a

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régime controlled by Japan one turns naturally to Manchukuo. Since 1932, a number of well-established foreign firms have been obliged to withdraw from that country either by legislative action, such as the creation of state monopolies, or by less obvious forms of pressure. The list of such firms includes the two great oil distributors, the American Standard Oil company and the British Asiatic Petroleum company, the Czechoslovakian Skoda steel works, the German Siemens-Schukert and the British Jardine Engineering company, the last being a subsidiary of the great trading organisation bearing the same family name. Meanwhile there have been very significant changes in the direction of Manchurian trade; the British share has halved since the Japanese conquest, and the American share has decreased by almost the same proportion, whereas the Japanese share has increased until it now embraces approximately three-quarters of the whole trade of Manchuria.

Although these facts are highly suggestive of the treatment that foreign interests have to look for within Japanese spheres of influence, it must not be too readily assumed that Japan would apply in China the same economic policies as are current in Manchukuo, even were she to achieve her ambition of a Japan-Manchukuo-China economic bloc. The difference in scale logically demands a radical difference in policy; for whereas Japan may hope to exploit Manchuria mainly, if not entirely, out of her own resources, and consequently to reserve its markets to herself, economic development in China on any far-reaching scale would be manifestly beyond Japan's capacity to finance, and would need the co-operation of the money markets of the West. Furthermore, it is certain that, if such a development were brought about, and if Chinese purchasing power were consequently raised, the resulting increase in China's trade would be greater than Japanese industries could cope with.

If one could count, then, on Japan's being guided in

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her behaviour in China by considerations of mere economic advantage, there would be no good reason to expect that she would make the elimination of foreign interests a direct object of policy, or would do more than give her own industrialists and traders the greatest possible degree of preference in the fields where they compete. At the first glance her record to date might seem consistent with such an assumption. Before the present conflict began, Japan, notwithstanding her claim of veto on foreign transactions with China, had not openly interfered with foreign commercial rights or foreign participation in China's economic reconstruction. By deliberately paralysing the preventive forces of the Chinese Maritime Customs for the benefit of the smuggling trade into North China, she had indeed inflicted severe loss on the foreign merchants in China, but apart from its cash profits the principal aim of this manœuvre had been to exert pressure on the Chinese Government itself.

After hostilities began, cases of interference with foreign rights and interests naturally multiplied. The difficulty has been to draw any clear line between acts of aggression that were a natural concomitant of war and acts that might be interpreted as a deliberate attack on the position of other Powers in China. The Japanese, in the territory under their control, are reported to have put an embargo on the release of maritime customs revenue for the free use of the Chinese Government, while permitting, in principle at least, the remittance of the quotas of funds needed for the service of China's international loans. A more serious threat to foreign interests is the recent application, by the new puppet Government in the north, of a revised customs tariff, which, in the selection of the classes of goods to be subjected to high or low duties, strongly favours Japan at the expense of other nations—a foretaste, it may well be, of the kind of discrimination that would become general throughout China under Japanese political dominance. In Shanghai, the cases of interference with

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the authority of the international municipal government have the appearance of being due to instigation by local military commanders intolerant of any restrictions on their freedom of action. The demands that have been made for an increased share in the administration of the Settlement are not themselves proof of Japan's intention to challenge the international status of the area, since the Japanese have been pressing for larger participation in the municipal government for the past several years.

It is when we come to the series of "incidents", ranging from the attack on the British Ambassador's party and the bombing of the *Panay* to acts of physical violence against individual soldiers, policemen, diplomats and private citizens, that the essential danger appears. To suggest that the major incidents were deliberate, in the sense of having been planned by persons in high authority in pursuit of a definite policy (such as the ruin of foreign prestige in the eyes of the Chinese), would be almost certainly wrong. The behaviour of the Japanese Government over the question of apology and satisfaction is hardly compatible with any such theory. But it is almost equally certain, on the evidence to hand, that the individual members of the Japanese military forces who were responsible for the incidents acted deliberately and with hostile intent against foreign nationals and foreign flags. These men, so far as the outside world knows, have remained unpunished.

The situation here is strikingly similar to that which existed in the early period of intercourse between Japan and the West in the middle of last century. During the three years after 1859, when Sir Rutherford Alcock went to Japan as the first British Minister, murderous attacks were made on separate occasions on members of the British, French and American Legations, and Alcock's successor, Sir Harry Parkes, was himself attacked when on his way to an audience with the Emperor, and was lucky to escape with his life. Attacks on private individuals

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in the same period were too numerous to mention in detail; one need only refer to the murder of Richardson outside Yokohama in 1862, which led to the bombardment of Kagoshima by British warships. On every occasion the Government of the day was profuse in apologies, but completely inert in action, and it became clear to the world that the *samurai* and their followers, who carried out or provoked the assaults, were for practical purposes beyond the Ministry's control.

In this sinister parallel between present conditions and those first critical years of Japan's contact with the West, and in the signs of the powerlessness of responsible statesmen in Japan to control the "patriots" whose attitude towards both Chinese and foreigners expresses itself in bombs and machine guns, lies the chief cause for fear that, unless the Western Powers are prepared to surrender almost completely their position in the Far East, they may find themselves facing decisions graver than any they have yet been obliged to take since Japan launched herself on her present hazardous career.

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I. WHAT STABILISATION MEANS

EVER since the end of the war, it has been generally and rightly assumed that world progress and prosperity require the re-creation of an ordered international monetary system such as existed in 1914 and was broken to pieces by the war. Strenuous efforts towards this end were made in the 'twenties and great progress appeared to have been made. But the crisis of 1931 threw everything once more into confusion. It taught the world how profound for such a civilisation as ours must be the monetary disorder caused by a world-wide war and its aftermath, and that to restore order demands a period of time to be reckoned almost in generations rather than decades. In the subsequent six years much progress has again been made towards *de facto* stability over the sterling and dollar areas and it may be worth while to consider whether, and if so to what extent, the world is progressing towards or receding from an ultimate *de jure* stabilisation covering all great commercial nations.

Stabilisation is often discussed as if it depended on the simple will of those in authority in each country, as if all few statesmen had to do was to determine upon stabilisation and the thing would be done. In reality, definitive stabilisation can only be the ultimate consequence of a stable condition of international society and of economic and financial order within each of the countries concerned. There are, indeed, distinguished exponents (such as Dr. Kienböck, Governor of the Austrian National Bank) of the view that stabilisation must not wait on order, but will itself go far to restore it; that if we wait for the perfect moment w

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shall wait till the Greek Kalends, and that risks must be taken. But while this view must command every sympathy, there is much to be said on the other side. In 1925 we and other countries went back to gold, but economic conditions proved too rigid to enable those adjustments to be made which experience proved necessary. Conditions are certainly not less rigid now than they were then. To face some more or less superficial lack of political and economic order in the world would be one thing, but it is quite another to suppose that the profound disturbances in both spheres that now plague the world could be easily overcome. It is much more true to say that stabilisation is in itself merely the final coping-stone to the arch. Unless all the other stones are in place, are of a harmonious size and strength and fit closely into one another, the keystone will not bind the whole firmly together.

What effective stabilisation means can perhaps be brought home to the layman in another way. It means that, for example, an Englishman should be willing to accept payment or take monetary obligations with as much equanimity in French francs, German Reichsmarks, Italian lire, Japanese yen and so forth as he is to invest them in English pounds sterling or American dollars; that it should be a matter of indifference, in fact, to members of any of the nations concerned which of these currencies they hold, since each currency should at any time and over an indefinite period be relied on to be exchangeable freely at fixed rates into any of the others. Proper stabilisation, moreover, allowing for free investment of capital between one country and another, as contrasted with the panic movements of these disordered times, should mean that this confidence should extend to investment in the several currencies, not over months, but over years and decades. In other words, there should be a perfectly reasonable expectation that all main currencies would remain in stable relation with one another indefinitely, and that the governments and peoples concerned would possess both the willingness and

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the power to achieve this end. This is not to imagine Utopia, but merely to describe the position as it was in 1914, and as it might have remained had the war not intervened. In those halcyon days, neither bankers nor business men had any need to bother their heads over the main world currencies. They accepted their stability as given. But to remind oneself of that is merely to demonstrate how far away we are from that happy world.

It is true that during the last few years we have enjoyed a considerable measure of exchange and currency stability over the whole sterling and dollar area; that is to say, we have comparative stability between the two strongest and most important currencies in the world. That area covers the whole British Empire, Egypt, the United States, Scandinavia, and to it may now be added Holland, Switzerland and perhaps Belgium. Roughly speaking, if France, whose position is peculiar, is excluded, it comprises all the creditor nations of the world, as well as some of the strongest debtor nations, for instance the Dominions of the British Commonwealth. Outside it, however—that is, among most of the other debtor nations—the picture is entirely different and controlled exchanges are almost universal. Two antagonistic systems therefore exist alongside one another, and it is important to examine some of their mutual reactions.

II. GERMANY AND EXCHANGE CONTROL

IN the main, the action of debtor countries in imposing exchange control was an unavoidable effort at self-protection in the maelstrom of the 1931 crisis, but its real roots go back to the ravages of the war and the lamentable mistakes of after-war policy. Most of the countries in question would return now with alacrity to free exchanges, if they felt they had the strength to do so. But in certain of them, particularly of course Germany and Italy, the pursuance of autarky and military strength has converted

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exchange control into an integral part of a state mechanism designed to develop every ounce of national power in the immediate present, as contrasted with greater well-being in the future, and for them to abandon it now would mean to abandon much else besides. It must also in fairness be said that the "free" nations are only relatively free. The 1931 crisis forced them, too, practically without exception, into certain measures of control, in the form, for instance, of restrictions on foreign lending or of quotas, tariffs, and other trade restrictions.

If the strongest of the "controlled" nations, such as Germany, Italy and Japan, were to return to free exchanges, the path to the same end would be greatly facilitated for the smaller "controlled" nations. The key to the problem, therefore, is the trend of developments in these greater countries. Two main questions must be answered: first, whether these powerful "controlled" countries are getting nearer to the time when they will be able to return to a free exchange; secondly, if the answer is negative, whether developments in the "controlled" countries prevent the "free" countries from going forward to *de jure* stabilisation, or actually put a severe strain on their present *de facto* stability. The simplest course is to consider the case of Germany, as the strongest of the great controlled countries, at any rate in the western hemisphere, and as indicating the influences that are likely to prevail also in the other two.

The lasting effects of the war and of both Allied and German after-war policy, coupled with the extreme crisis of 1931, left Germany with no option but to control her exchange, in order to prevent another currency collapse, of whose disastrous effects she had bitter memories. All subsequent experience goes to show that, when once such control is instituted, a return to freedom presents very great difficulties even if it be made the main objective of national policy. But with the coming of the Nazi régime not only was no such objective adopted, but on the contrary

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exchange control was found to be an effective aid towards enforcing Nazi policies. Hence it was gradually extended and made completely effective and all-pervading. In Italy, where the currency was devalued, exchange control as a domestic political instrument has been even more openly in evidence. In both countries government policy aimed at the complete integration of the people as a fighting machine, and consequently at the utmost economic independence of other nations. Individual consumption had to be restricted in order to provide the goods and services necessary for these two objectives, and there naturally followed the control of all foreign trade and the severe restriction of imports. In a word, what originated as a means of self-defence and self-help has come to serve as a deliberately employed instrument of policy towards a party end.

Since normal international trade conducted triangularly or multilaterally became difficult and very often impossible, clearing and barter schemes, compensation and payments agreements were concluded between Germany and the countries with whom she traded, until at present nearly 80 per cent. of her foreign trade is conducted under such arrangements. Then, because domestic trade has in all great countries a close relationship with foreign trade, and particularly because of the vast extension of armaments, further steps had to be taken to control Germany's internal trade; maximum prices were fixed; private industry in general was completely regulated as regards new extensions; and the capital market was entirely reserved for government purposes.

It has to be frankly admitted that five years of Nazi planning has achieved results which in many respects are striking. Germany has great armaments, great public works, no unemployment (though of the 6 million formerly unemployed probably 2 million have been absorbed by the army and other state employments), rapidly increasing revenues, great industrial activity (almost all initiated by

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the state), a growing foreign trade (though it is still far below that of 1929 and is still largely subsidised), a greatly enlarged internal production, and as yet no great apparent fall in the standard of living. In addition, at the cost of extremely heavy losses to her creditors, Germany's foreign debt has been immensely reduced. On the other hand, if her exchanges were freed to-morrow her currency would collapse; so far as published figures go, the Reichsbank has built up no resources; while before the war Germany had invisible exports totalling some £50 million per annum, there is no sign that she is again building them up; there is a great shortage of raw materials; prices have to be officially controlled; every resource of the nation has been tapped; the taxation of the ordinary worker is much higher than here; the public debt is growing; and no capital or credit, short or long, can be expected to flow in from abroad.

It is quite beyond human wisdom to determine how far all these developments have been an inevitable consequence of Germany's treatment by her late enemies after the war, and how far they derive from Nazi policy; how far, in fact, on the road to free exchanges she would have been had the Nazi Government made that their chief aim. Nothing was more disastrous than the reparation and Ruhr policy, which sowed the dragon's teeth. Nothing was more certain than that, faced with Europe dominated by French military power, Germany would rearm heavily as soon as she felt strong enough to do so. Her lamentable economic condition in 1931 would moreover have forced on any government a great extension of state control and activity. It is the far-reaching integration of Germany as a fighting machine, the fact that this aim comes a long way before any other, and the repudiation of anything savouring of internationalism—that is, of any method of restoring prosperity to the German people which in other countries would be regarded as normal—it is these things that differentiate the German developments from the ordinary

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state socialism and cause such serious reactions in other countries.

The ultimate result of this experiment is, however, not yet certain. Unless, for instance, in addition to its present achievements it enables the Reichsbank to build up the large reserves needed for a great trading nation, no end can be in sight for a rigid control of the exchanges, and therefore no normal intercourse with other nations is possible. Moreover, it is clear that the rigidly controlled nations must depend to a considerable extent on the fact that other nations retain free exchanges. Germany, Italy, Japan, Russia and smaller countries are aided in the control of their exchanges by the existence of free markets in sterling, dollars and other currencies; for only thus can they obtain the free working funds necessary for the purchase in third countries of essential supplies of food and materials. Were all currencies to be controlled and blocked, then their task would become much more difficult still.

In their main outlines, though of course with considerable differences of history and circumstance, the totalitarian systems of Italy and Japan are from the point of view of this article similar to that of Germany, and the more one contemplates them the more irreconcilable in the end seem the two systems, that of power pursued apparently for its own sake by the completely centralised and autocratic governments, and that of individual well-being pursued by the free nations. Regarding themselves as "have-nots", the former have set out to secure for their peoples the strength and wealth that are presumably their aim, not so much by the mutual development of international trade and the building up by their people of great assets abroad, but by power alone—and two of them already by actual conquest. To the population of Germany, lying as she does geographically between France, England and Russia, most of the measures of the Nazi Government take on the appearance of measures of pure self-defence. The German air force, in their eyes, may be required to

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oppose the air forces of those three countries simultaneously; in our eyes, it may be directed in some crisis solely against ourselves. It is the profound suspicion reigning between the different nations that is the root cause of the difficulties in the way of international financial and commercial co-operation.

Yet Germany was before 1914 a country with great wealth abroad, and with her rapidly growing invisible assets was becoming in fact a greater rentier nation. There is no doubt that such a development would again be comparatively easy to her, if her eyes were set in that direction and not upon autarky.

It may be that the totalitarian States will arrive at a stage at which, either through the abandonment of ambitions that can be fulfilled only by war or through the altered sentiments of their people, they will essay to change over to an economy directed rather to promoting greater individual consumption and building up the reserves required by a free exchange than to concentrating their military power. But the changeover must be difficult and dangerous, and there is no indication at present—rather the contrary—of any such tendency.

Nor, until their policy changes, can they expect that assistance from the free nations with greater resources which in different circumstances it would be natural and wise for the latter to give. Admittedly, the possibility of war can never be ruled out. But there is a world of difference between that recognition and the present universal conviction that, since some countries feel obliged to bend their whole national energies on becoming an armed camp, they must either expect war or wish at the cost of any sacrifice to put and keep themselves in a position to use an overwhelming threat of war. So long as that state of affairs continues, there can be no mutual help given and received between creditor and debtor countries—to the advantage of both in a peaceful world—whereby reserves necessary for a free and stable currency might be built up.

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Even if the power of those debtor governments to pay the service of any loans made were clearer, it would be impossible at present to persuade individual investors in this country or the United States to lend money to the German or Italian or Japanese governments, or indeed to invest in any way in those countries. It is true that a certain amount of involuntary lending takes place through the inability of traders selling goods to those countries to get payment save over an extended period. But this process has naturally very definite limits. It remains the case that if the countries lacking currency reserves cannot get money either from foreign governments or from investment by foreign individuals or companies, then the building up of sufficient reserves in gold or foreign currencies to enable them to defend their currencies, when free and stabilised, must be a matter of years, even if they were to change so far as to make this the leading objective of their policy.

III. THE BURDEN OF TAXES

THE foregoing arguments to prove that the "controlled exchange" countries are very far from a return to free exchanges may be thought to be flogging a dead horse. Nevertheless they form a useful preliminary to a consideration of certain serious reactions of their policy on the "free" countries. Those reactions particularly concern the problem of government expenditure and government finance. A lasting stabilisation requires that the finances of the countries concerned should be in order and under no undue strain. Budgets should be balanced, taxation not excessive, unproductive expenditure and unproductive debt should not continually increase; and the proportion of the national income taken for government purposes should not be so great that the whole system of private enterprise, which depends on the possibility of making and retaining reasonable profits, becomes unworkable.

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The figures contained in the Appendix below, which have been obtained from the best sources available in each case, throw some light on the present position. They are admittedly very incomplete and subject to many qualifications, but the trend they indicate is unmistakable. All governments are absorbing a greater and greater proportion of the total national incomes of their communities. The figures show that in Italy the government is absorbing something like 42 per cent. of the national income, in France over 39 per cent., in Germany over 26 per cent., in Great Britain over 16 per cent., and in the United States over 11 per cent. All these figures exclude local or state expenditure. In the United States the expenditure of the states and local authorities amounted in 1935 to \$6,171 million, a sum not very far short of the federal government's total expenditure. If this were included, the total government and local expenditure would be over 20 per cent. of the national income. To add a figure of about £177 million representing local expenditure would raise the British ratio to over 26 per cent. The German local expenditure not included in the figures quoted appears to be about Rm. 4 milliards, which would bring the German total expenditure to over 30 per cent. Comparable figures have not been obtainable for France and Italy, but undoubtedly to add local expenditure in those countries would bring their percentages to a very high figure.

On the other hand, it may be suggested that in these two countries there is almost certainly a substantial difference between the total money income and the social or real income of the country, arising from the fact that many peasants and small agriculturalists, comprising in both countries a big percentage of the total population, are largely self-providing. They possess, in fact, a greater real income than money income. It follows that the general position in France and Italy, socially and economically, would be rather better than would appear from the figures relating to money income. On the other hand, since

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the government would hardly be able to tax at a high rate the money incomes of those who are partly self-sufficient, this circumstance affords little help towards solving the country's fiscal and financial problems.

Except for Great Britain no comparable pre-war figures are obtainable. But our present ratio of 16.7 per cent. compares with 7.6 per cent. in 1913, while actual government expenditure (including armament expenditure covered by loan) has risen from £169 million * in 1913 to £943 million in 1937.

To what extent the government expenditure in each country, including armaments expenditure, is unproductive, it is difficult to say. While, however, from one point of view this is very important, from the point of view of the maintenance of the system of private enterprise in general it is unimportant. All government expenditure involves taxation and, when taxation rises beyond a certain level, then private initiative and enterprise must inevitably languish; for all enterprise is a balancing of risks, and the risks are always borne wholly by the entrepreneur and not at all by the government, which may nevertheless take, say, 50 per cent. of the profits. Private enterprise has languished in Germany and Italy; it is in serious difficulties in France. It is in least difficulties in Great Britain and the United States, where government expenditure still takes a smaller proportion of the total income than elsewhere.

In regard to the subject here under discussion, several lessons can be drawn from the figures quoted, of which only two will be mentioned. The first is the very great importance of maintaining the national income at as high a figure as possible, in other words, of avoiding any depression or deflation. Clearly in respect of national income neither Italy nor France is in as favourable a position as Germany or the United Kingdom. Taking the Reichsmark at its official rate of about Rm. 12 to the £—which is,

* Including only the net amount of self-balancing revenue and expenditure, e.g., the post office.

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of course, to value it too high—Germany's national income is between £5,000 million and £6,000 million, as against ours of £4,800 million. At a more reasonable valuation of the Reichsmark, say Rm. 20 to the £, Germany's national income would be £3,400 million. At either rate, her population being much greater, income per head is considerably smaller than in Great Britain.

The second lesson is that an extension of unproductive armament expenditure in the "free" countries will tend to enhance their difficulties in maintaining a free economy, stable exchanges and prosperous private enterprise.

It must be remembered that, at any rate in the short run, freedom suffers under certain handicaps as compared with authority. In Germany, for instance, wages are completely controlled by the state. Hitler has merely to declare that the country's highest interests demand that there should be no increase, and the question is settled. On the other hand, prices are also controlled. Thus any deterioration in the standard of living is likely to be reflected, not so much in wages and prices, as in a shortage of the articles required by the population and in a deterioration in quality. If the system succeeds in maintaining the standard of life sufficiently, well and good. The alternative, which is exemplified more clearly at present in Italy, would appear to be the gradual squeezing out of all the middle classes and the approach of a bureaucratically ruled proletarian state. If ultimately the real standard of life of the population continues to fall, dreams of empire may not be thought a sufficient substitute. But the process is a slow one. For, with the easier wealth production of modern days, under normal and peaceful conditions the standard of life should improve fairly quickly in all countries. Under the totalitarian system the standard, while it might be kept from improving, might possibly be maintained, while all the additional productive power derived from invention and progress was directed into making the nation a more and more formidable war machine. Moreover, partly

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as a consequence of their compulsive powers, it is quite certain that German, Italian and Japanese armaments and organisation for war are relatively far less costly than ours, and in comparing armament expenditure it must be remembered that for any given sum they obtain a much greater return than we do.

In the free countries no similar measures of compulsion are possible. Wages cannot be compulsorily held down, and the electorate naturally demands to see progress reflected at once in a higher standard of life. It follows that, with vast armament expenditures, governments and monetary authorities may not possess the strength necessary to keep a sufficient check on the natural instability of the freely working credit system. In the short run, in fact, the totalitarian States can prevent the reaction of an un-economic policy on their economic and financial fabric, whereas in the free States the adjustments must be made *ambulando*. In the long run, to sit on the safety-valve may prove to be the greater weakness of the two.

To the free States, or some of them, therefore, a united people ready for sacrifices, and strong governments as well, may be a vital necessity both to secure their defensive strength against the totalitarian States and to maintain in working order their free economy. Present French difficulties are a sufficient proof. So far as Great Britain is concerned, we have to bear in mind that in a time of peace and prosperity our taxation is exceedingly high, and—largely no doubt as an indirect result of rearmament—it is probable that in 1937 our balance of payments on current account was unfavourable to the extent of some £50 million. Presumably this deficit has been compensated, so far as the immediate present is concerned, by investments of one sort or another made here by foreigners, no doubt largely for safety's sake. But it represents a danger signal.

The strain, which it is suggested may be felt by the free nations, is indeed no figment of the imagination.

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In the last few years, so far from the number of countries with free exchange having been added to, Poland, with a crushing burden of armament, has fallen by the wayside, and France, though she has hitherto avoided control, is far from having regained a firm footing on a basis of free exchange.

The foregoing discussion indicates that, while the totalitarian States may unfortunately themselves be prisoners of their own policy, the path on which they have entered may take the world further and further away from the free economy of former years and from any approach to a stable and ordered international monetary system. In simple words, we may be forced into a prolonged struggle to decide whose resources can last out longest. If the totalitarian States use an undue proportion of the national income on war or near-war purposes, the free States must take the same course. Progress will be checked and private enterprise retreat before swollen government activities. It is a fantastic development of European civilisation that every nation, instead of co-operating to improve the general well-being, should be "tightening its belt" against every other, stripping itself as if for battle, and making its whole economy into an engine of war; that in a time of peace the proportion of the national income taken in all countries to provide for largely unproductive expenditure should be constantly increasing; that taxation should be at a point beyond which it can be substantially increased only at the risk of seriously impeding ordinary enterprise and thus forcing governments into further new fields; and that national debts, already very high in most cases, should constantly be increasing. Along this road the only end can be a vast and harmful extension of government activities, merely because private initiative will stagger under impossible burdens. Nevertheless "if the devil drives" we needs must follow, and it may be hoped from the figures quoted that, if we are driven into a race of exhaustion, our resources will last longer than those of some

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of our neighbours, and that their difficulties will accumulate even more rapidly than ours. In such a world, however, further steps to a more rigid stabilisation of currencies seem out of the question.

IV. THE VAN ZEELAND REPORT

IT is in the light of the world conditions depicted in the previous pages that Mr. van Zeeland's report, recently presented to the British and French Governments, must be considered. The report is an admirably well-balanced and interesting survey on the subject remitted to him, namely the "possibility of obtaining a general reduction of the obstacles to international trade". If mutual confidence now reigned among the leading countries and peoples of the world, the recommendations of the report could be put into force with highly beneficial results to everyone. But unfortunately Mr. van Zeeland, as he himself recognises very clearly, was handicapped by the fact that his was an economic enquiry and that of necessity he "deliberately debarred" himself "from touching on the strictly political aspects presented by a number of questions with which we are faced. It is, however, impossible to ignore the fact that we are working in their shadow".

Let us try, therefore (he said), to find the way of a practical solution without going beyond the limits of this mission, which is of an economic character, but without pretending that it can be artificially isolated from the political factors which surround it and which impose upon it their conditions.

We shall confine ourselves here to those recommendations made by Mr. van Zeeland which more particularly concern the subject of this article. Among the obstacles to international trade, Mr. van Zeeland rightly says "there are none more harmful and more formidable than those which arise either from monetary disturbances or from restrictions regarding the transfer of capital or of

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commercial payments". To overcome these and to bring about conditions in which exchange control can be eliminated his main proposed remedies are:

(a) That the past should be liquidated by an adjustment and consolidation of the external debts of the debtor countries;

(b) That debtor countries should be provided with credit facilities. These facilities he suggests should be secured by an "agreed extension of the method of reciprocal credits recently instituted by the Bank for International Settlements", and by the establishment, through the co-operation of all States prepared to join, of a "common fund, the resources of which might be applied under appropriate conditions to facilitate the financing of legitimate trade operations during the period of readjustment". The direction of such fund he suggests should be carried out by the Bank for International Settlements.

In plain language, Mr. van Zeeland suggests that Great Britain and the United States and other creditor countries should lend large sums to Germany and Italy and other countries with controlled exchanges, through the Bank for International Settlements, to enable them to free their exchanges.

It is of course quite hopeless to expect the private investor in Great Britain or the United States voluntarily to take any part in lending money to debtor countries which even now cannot meet their existing foreign obligations, quite apart from the political hesitations or even inhibitions that would be aroused in the private investor's breast. Thus the proposed loans—and very large sums would be required—would have to be made by the governments concerned with the approval of their parliaments. The difficulties of such a course need not be elaborated. It is indeed unfortunately the case that, until greater mutual confidence exists, such loans remain a political impossibility.

Since this is so, it is hardly necessary to discuss to what extent they would in reality prove effective. Post-war history has shown that they can do no more than help over the final stile a nation which in every other respect

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has got its economic and financial problems under control. Each nation must necessarily pull itself out of the mud by its own and not other people's efforts. This Mr. van Zeeland recognises clearly.

Each country (he says) must above all rely on itself. . . . It has the right to expect of the other States that they will not confront it with artificial obstacles, and even that they will assume a general attitude in conformity with the requirements of a sincere spirit of international collaboration, but the decisive effort is essentially the responsibility of the individual State and of itself alone.

What are we then to conclude? Which comes first—economic and financial co-operation or the restoration of political confidence, the hen or the egg? One would wish to believe that progress in the economic sphere might be the path to progress in the political. Forced to exclude from his consideration political problems, Mr. van Zeeland has placed clearly before the world a possible procedure which—if international political confidence reigned—might go far to set Europe on the path of prosperity. But political problems are absolutely fundamental. Some of the less comprehensive steps suggested by Mr. van Zeeland might indeed be practicable and might in themselves help to render political appeasement less difficult. Unless, however, some reconciliation is possible between the very different political ideals now reigning in the several countries, our hopes cannot but be limited.

V. A CALL FOR SACRIFICES

FROM the foregoing discussion it would appear that three main alternatives are before us. The first is that armament competition and the constant increase in public expenditure should continue in all countries until at any rate the weakest are exhausted. The second is that the extreme militaristic doctrines of the totalitarian countries should become gradually tempered, and that their economic policy should gradually change, until their opinion-

A CALL FOR SACRIFICES

and policies are not so far different from those current in the non-totalitarian countries that some accommodation is impossible. The third alternative is that, in order to hasten this latter development, and foreseeing that, whichever of them may be ruined first, all are heading towards the same goal, at least the British, German and French Governments should now make a determined effort to see how far, in using the same words about peace and directing their policy towards peace, they can in fact bring themselves to mean the same thing. It is profoundly in the interests of them all that a suicidal race of exhaustion, the results of which even on the most rigidly "controlled" States may ultimately be explosive, should be quickly brought to an end.

One fundamental difficulty is that constitutional and old-established governments are dealing with revolutionary governments. It is not only that the leaders are totally different—one can hardly imagine Mr. Neville Chamberlain or M. Chautemps leading the march to Rome or enacting the incidents of June 30, 1934. A revolutionary government, which has been created by violent action and seeks by such action, as the Italian Government does, to create empires, requires more than a few years to reassure the world that it has settled down to the normal procedure of determining difficulties by persuasion rather than force.

It is of the utmost importance, from the economic and financial as well as every other point of view, that the German and Italian peoples should enter into normal co-operation with the countries that have not gone through the same violent changes. If, on the other hand, the revolutionary temperament is still too evident for firm co-operation to be established, and if, therefore, the only alternative before us at present is to see which can last out longest, then it behoves us above all to keep our own vessel ship-shape. The totalitarian communities accept sacrifices under the emotion of the semi-divine word of command; we have to impose them freely on ourselves. It might

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well shorten this time of trial if our neighbours were to see that we were ready to impose on ourselves, not only economic sacrifices, but also such other national duties as are accepted as a matter of course by all other European countries, even traditional neutrals with nothing but their home-land to defend. The half-hearted preparation for the defence of our great heritage will certainly not encourage the totalitarian States to be quick in changing their course or in recognising that limitation of armaments or even some closer co-operation may be the only alternative to a deterioration of well-being that may ultimately become intolerable.

The burden, then, which we in Great Britain must shoulder is to make safe our defence without allowing a weakening of our financial stability. We must, to begin with, maintain the stability of sterling and strengthen in every way possible co-operation between the sterling and dollar areas. In reserves of gold and foreign currency and in national resources outside our country, we are incomparably stronger than most of our neighbours. No "transfer" problem arises. The difficulties will be of a different character. It may not be easy, in the first place, to prevent the vast government expenditure from leading to inflationary developments, which by raising costs and prices will bring us out of line with the United States and other members of the sterling area, will increase the disparity between imports and exports and render our unfavourable balance even greater than now, thus tending to weaken our exchange.

In the second place, the budgetary problem may become more acute, and the question may arise whether, as the alternative to still higher taxation, we are to borrow more for expenditure which may appear to be of a capital nature, but which owing to the rapid obsolescence of all armaments, both plant and product, should properly be met out of revenue. If we tax more, we may encourage depression: if we borrow more, we may strike at confidence.

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If more borrowing were resorted to, further indirect as well as direct taxation might indeed be a necessary instrument for restraining consumption. The very great increase in German revenues comes partly from direct levies on all wages. Direct taxation is already very high and, while taxation should be placed on the shoulders best able to bear it, it is all-important, unless government control is to be indefinitely extended, that it should not reduce the profit margin below the level at which enterprise fails. The golden mean will be difficult to find, and to meet all these varying claims will not be easy for a Government elected by universal suffrage. The danger point is reached when the burden on enterprise, large and small, becomes too great and confidence fails. Since at all costs the machine must be kept going, governments at that point have to step in deeper and deeper and full regimentation begins. Nothing that is developing either in Russia, in Germany or in Italy indicates that such a fate would be anything but disastrous to us. If, therefore, the British people wish to defend and maintain their free heritage, they must be ready for sacrifices, and the more resolutely they square their shoulders to the task the shorter may be their period of trial.

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APPENDIX

NATIONAL INCOME AND GOVERNMENT EXPENDITURE

I. UNITED KINGDOM

(000,000's omitted)

	National Income	Defence Expendi- ture	Percentage of National Income	Total Government Expendi- ture	Percentage of National Income
	£	£	%	£	%
1913 *	2,220	77	3.5	169	7.6
1933	3,962	108	2.7	693	17.5
1934	4,238	114	2.7	709	16.7
1935	4,530	137	3.0	750	16.8
1936	4,800	186	3.9	803	16.7
1937	—	281	—	943	—

* Pre-war gold values.

II. UNITED STATES

(000,000's omitted)

	\$	\$†	%	\$‡	%
1914 *	—	313	—	735	—
1933	41,813	540	1.3	7,105	17.0
1934	49,575	709	1.4	7,376	14.9
1935	54,955	992	1.8	8,830	16.1
1936	63,799	965	1.5	8,105	12.7
1937	68,000	992	1.5	7,615	11.2

* Pre-war gold values.

† Excluding war veterans' pensions, etc.

‡ Including loans for relief works and deficit borrowing.

III. FRANCE

(000,000,000's omitted)

	fr.	fr.†	%	fr.	%
1913 *	38	2.1	5.5	5.1	13.3
1934	184	11.2	6.1	56.0	30.6
1935	172	10.6	6.2	52.0	30.2
1936	189	7.6	4.0	62.5	33.0

* Pre-war gold values.

† Excluding considerable sums spent on frontier organisation.

APPENDIX

IV. GERMANY

(000,000,000's omitted)

	National Income	Defence Expendi- ture †	Percentage of National Income	Total Government Expendi- ture ‡	Percentage of National Income
	Rm.	Rm.	%	Rm.	%
1913 *	45.7	2.0	4.2	3.7	8.1
1933	47.5	—	—	8.2	17.3
1934	52.4	5.5	10.5	11.7	22.3
1935	57.9	12.5	21.6	19.7	34.0
1936	62.6	12.5	20.0	20.0	32.0
1937	68.0	10.5	15.4	18.0	26.5

* Pre-war gold values.

† Including public works, 1934-37.

‡ The German Government does not at present publish figures of expenditure but only of revenue; nor are borrowings for rearmament purposes made known. The above figures of total government expenditure are taken from Mr. N. E. Crump's articles on Germany in the *Financial Times*, November 30 to December 8. They include government grants to local authorities, but do not otherwise take account of the latter's expenditure.

V. ITALY *

(000,000,000's omitted)

	Cost of Armaments and Public Works	Total Government Expenditure
	lire	lire
1933	13.2	28.1
1934	7.2	22.0
1935	5.6	20.3
1936	5.8	22.0

* Italian figures quoted from League of Nations Survey. A recent well-informed estimate of total Italian national income is 80 milliards of lire. In addition to the "ordinary" budget of 22 milliards, as above, extraordinary expenditure for Italy and the African colonies is said to total, for 1936-37, some 12 milliards. Ordinary and extraordinary expenditure would thus account for 42.5 per cent. of estimated national income.

BRITISH COMMONWEALTH RELATIONS

I. A NEW PHASE

THE Imperial Conference of 1937, it is clear as we look back, opened a new phase in British Commonwealth relations. The earlier phase, from the Paris Peace Conference to the Statute of Westminster, had been one of devolution, its problems those of status. The movement of the Dominions towards the position of autonomous and equal national States was endorsed and regularised by successive Imperial Conferences. As central control disappeared, organs of co-operation or consultation like the Imperial Economic Committee were created or refurbished. But they concerned, for the most part, only secondary branches of governmental life. On the great issues that must determine whether the Commonwealth will endure as a political entity, or fall into fragments—the issues of foreign policy and defence—the means of consultation were weak, and the means of common action weaker still. This may have been a necessary development at that moment. The Dominions were properly jealous of their independence in foreign affairs, and resentful of suggestions that seemed to imply renouncing it as soon as it had been won. They were determined not to be drawn into another world conflict by anybody's decision but their own. Downing Street was still a bogey. Fortunately, in the world at large, the era was one of war-exhaustion, and on the whole of peaceful progress; the members of the British Commonwealth were seriously threatened by nobody, and could move apart from each other without immediate danger.

A NEW PHASE

It was the League of Nations era. The inevitable drifting asunder of the foreign policies of six different nations scattered all over the world was checked by appeal to the League of Nations formula. That formula was an invaluable lubricant for the working-out of Dominion nationalism; without it, the transitional phase in British Commonwealth relations might have set up much worse frictions than it did. Nor was the League formula just a façade. The British nations were in earnest in their support of the League; they believed that on major issues of foreign policy and defence their attitude would be determined for them by their League membership, which they saw as reinforcing rather than contending with their membership of the Commonwealth. In retrospect, however, three things become plain. First, the British nations never clearly thought out what their League membership meant in terms of liability to go to war, or at least to take action involving grave risk of war. Secondly, if the issue had in fact been reduced to that hard core, their interpretations—that is to say their actual policies—might well have been widely different. The League appeal was therefore not the securely unifying factor that it appeared on the surface. Thirdly, the progress of Dominion nationalism, by encouraging a purely local outlook and by dissipating the unity of British Commonwealth foreign policy, was itself one of the inner destroyers of the League of Nations.

All that is now spilt milk. The League is no longer in practice an instrument of universal collective security, though articles 10 and 16 of the Covenant may still have force as elements in a regional European system. The most ardent enthusiast for Geneva could no longer regard the League formula by itself as capable of deciding the detailed foreign policy of the British nations. What has it to say on such questions as these: whether Germany's colonial claims should be met; whether an economic *Anschluss* between Germany and Austria should be

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encouraged; whether we should smile or frown on the Franco-Soviet pact; whether arms should be sent to either side or both in Spain; whether Japan should be given more power in the Shanghai Municipal Council, or this or that answer returned to the latest Japanese apology; whether capital ships should be sent to the Singapore base? Practical problems of that kind, on which the Governments and peoples of the British Commonwealth have to make up their minds from day to day, were brought under review at the Imperial Conference last year. Vague though its published conclusions may have been, the Conference clearly marked the beginning of a new phase of realism in the approach to foreign policy, as the key to British Commonwealth relations.

II. THE SYDNEY CONFERENCE

WHILE external dangers make urgently necessary the greatest possible Commonwealth unity in foreign policy and defence, that is no easy problem. It cannot be solved by any general formula of the same type as common membership of the League. The isolationist formula is even less serviceable for this purpose than hundred-per-cent. collective security, since its meaning is bound to be entirely different for, say, Canadians, from its meaning for people in Great Britain. Nor can the solution lie in any glib appeal to patriotism, loyalty, brotherhood, daughterhood, imperial sentiment, whatever the motive may be called; for not only do those feelings vary in intensity from country to country and from group to group within the Commonwealth—they can only exert their full force when war is already upon us. Beat the patriotic drum in peace time, and most Dominion citizens will suspect you of trying to tie them to the tail of a foreign policy in whose making they have no say. The ideal—perhaps the ultimate—solution is a joint instrument of democratic government for the conduct of foreign policy

THE SYDNEY CONFERENCE

and other affairs of common concern to the nations of the Commonwealth. But to-day that is beyond the horizon of practical politics.

What is built must be built patiently, cautiously, on a firm foundation of common interest and mutual understanding. Knowledge of facts in the different parts of the Commonwealth, of national or sectional outlooks and interests, is the vital raw material of the statesman or political theorist who would tackle this problem. Study, discussion, personal contacts, travel, publicity, all are necessary for the gathering and disseminating of that knowledge. To this process an extremely important contribution is being made this year under the auspices of the Royal Institute of International Affairs and its sister institutes in the Dominions and India. The British Commonwealth Relations Conference 1938, to be held in Sydney next September, is the successor of the similarly titled conference * that took place in Toronto in 1933, and its organisation as an entirely non-official and private gathering is the same. But its approach is different, in accordance with changes in the international background and in the character of the problem to be faced. It bears the same relation to the Toronto Conference as the Imperial Conference of 1937 bore to its predecessor of 1930.

The set task of the Toronto Conference was to survey the existing system of communication, consultation and action between the members of the Commonwealth, to consider its adequacy in the light of the existing constitution of the Commonwealth and its problems, and to study specific suggestions for its improvement. Actually, the conference struck out from this formal programme and spent a great deal of its time discussing the substance of foreign policy. The character of a discussion, however, is largely fixed by the things it takes for granted, and in

* See THE ROUND TABLE, No. 93, December 1933, pp. 42-61, and *British Commonwealth Relations* (Proceedings of the Toronto Conference), published for the Royal Institute of International Affairs by the Oxford University Press, 1934.

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both the formal agenda and the actual debates at Toronto there can be discerned assumptions that would hardly be made to-day. Chief among them were the general adequacy and appropriateness of the existing system of co-operation among the Commonwealth nations, the durability of the League of Nations as an international organ of equal coherence and importance for the British nations as the Commonwealth itself, and the remoteness of an actual war emergency. Question those assumptions, and an entirely different set of questions present themselves in any approach to the problems of British Commonwealth relations. What are the actual interests and policies of the Commonwealth nations; how much can be made of them in the way of a common front for the preservation of peace, and if need be for the conduct of defensive or collective war; what kind of structure of Commonwealth relations must be built in order to maintain common interests in a dangerous world, and to secure whatever unity is possible in foreign policy and defence?

That is the approach envisaged by those responsible for drawing up the agenda of the Sydney Conference. The conference, runs the printed document, will take due account of the differences as well as the similarities in interests and outlook among the member countries, with the general aim of seeking the maximum of co-operation consistent with individual interests and of ascertaining how far such interests should be subordinated to the furtherance of co-operation. In each country from which a delegation will be sent, a study of national interests and opinions is now being made, for circulation to other member countries well before the conference. These national data-papers are to take account of interests arising out of geographical and strategic position; of the racial composition of the people; of basic economic influences, such as natural resources, the growth or decline of population, the relation of the state to economic life, standards of living and social policies, and the position of the country

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as a debtor or creditor; of special external links, such as those of Canada with the United States; of colonial interests and responsibility for mandates; of the practical advantages or disadvantages of the Commonwealth connection, and of its actual effect on economic, political and defence policies; of present foreign policy aims, including attitudes towards the League of Nations; of present defence policy and economic objectives; and of any other matters contributing to a realistic survey of the interests and sentiments of the member country, which are reflected in its external policies.

The first task of the conference, when it meets in Sydney, will be to consider these preparatory papers, and to draw out their significance by means of critical comment and of question and answer between the delegations. The discussion, it is planned, will then proceed on two parallel planes, one economic and the other political and strategic. The debate on the economic aspects of the national data-papers is intended to bring out, first, the motives (including political or sentimental motives) for maintaining, increasing, diminishing or altering present Commonwealth co-operation in economic affairs, and, secondly, the existing trends of national policy—whether towards greater national or imperial self-sufficiency or the reverse. Economic policy will then be studied in greater detail, with particular reference, among other points, to possibilities of economic specialisation, to different labour standards, population policies, monetary co-operation, colonial economic policy, most-favoured-nation policy, modification of imperial preference in respect of the type of preferential pledges given, its possible extension to other Powers, and so on. This is an ambitious programme; but the conference is not expected to tackle its more technical aspects. The emphasis, declares the organising committee, will be on the character of the economic problem as a vital element in the whole complex of international relations.

The agenda for the study of political and strategic

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problems is divided into three parts. The first is a general debate on these aspects of the national data-papers, bringing out the similarities and divergences of interest and outlook among the various Commonwealth countries, in relation to different areas or special issues like the League of Nations. The second poses a question which it will be the peculiar task of the Sydney Conference to study: to what extent should Commonwealth co-operation be uniform and comprehensive, to what extent based on group or bilateral understandings within the Commonwealth? The organisers of the conference obviously foresaw that the statements of national interests and outlooks would show much greater similarity between some of the member nations than between others, and that it would become necessary to ask whether the highest common factor—which might not be very high—was the only possible basis for co-operation and common action. Must we all go the pace of the slowest, or must the slowest be swept dangerously off its feet as the only alternative to falling out of the party altogether? The first of all the relevant factors, however, as the agenda paper recognises, is the inherent value of a united Commonwealth front, the second being the need for tangible common interest as the basis of co-operation or common action.

Having cleared its mind on that general problem, the conference will go on to study the possibilities of co-operation or common policy in regard to special regions or special topics. Those suggested are Europe, the Mediterranean route and Africa, the Far East and the Pacific, the United States, the League of Nations, and the colonial question. Finally, the conference is to consider on the broadest lines the future of the Commonwealth as a co-operative international organisation. In the words of the agenda, it is to ask itself whether any fresh conception of the Commonwealth emerges from a re-assessment of the historical and constitutional factors

THE FUTURE OF THE COMMONWEALTH

in the light of the present interests and national composition of its member countries.

III. THE FUTURE OF THE COMMONWEALTH

IT would not be in place to forecast the answer that the Sydney Conference will give to that momentous question. But some of the determining factors are obvious, and are indeed implicit in the earlier sections of the conference's agenda. As soon as we move beyond the broad objectives of the maintenance of peace, the establishment of international law and order, and the preservation of democracy, we find that the detailed interests of the several Commonwealth nations are not by any means the same. The interest of Canada, for instance, in the colonial question is secondary and remote, while that of South Africa is direct and immediate; South Africa, in turn, is far less concerned in Far Eastern affairs than are the three Dominions that border on the Pacific; while none of the Dominions has the same universal interests and liabilities as the United Kingdom, nor anything like the same physical power to defend itself and its interests and ideals. As a result, largely, of such divergence of geographical or strategic interest, but partly also of racial and historical differences, the countries of the Commonwealth do not all perceive the same degree of interest in the integrity of the Commonwealth itself. The Commonwealth cannot be taken for granted; it must base itself on real interests and ideals, or perish.

So much is obvious. But before considering the conclusions to be drawn we must bring another set of data into the problem. The British Commonwealth is expanding in membership. India is already a full member of the Imperial Conference, and has been promised Dominion status as soon as the time is ripe; although under the projected federal constitution external affairs and defence are reserved subjects, in the long run that constitution will

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work only if the voice of India is decisive there as in other branches of government. India, as well as the Dominions and Great Britain, is therefore to-day a prime element in the problem of building common action on varying national interests. And India will not be the last recruit to the ranks of self-governing members of the British Commonwealth. Burma, Ceylon and other colonies are on a path towards autonomy on which there can be no permanent turning-back. Southern Rhodesia, like Burma, is already an "observer" at Imperial Conferences: she may, perhaps, be one day the nucleus of a new African Dominion.

A loose, consultative form of association, with the Dominions as a group standing on one side and the United Kingdom on the other, might conceivably be sufficient in practice among a small set of nations of similar race and traditions, living in a generally peaceful world, or at least not seriously scorched by the flame of war. It is surely not enough for a group of a dozen nations of equal status but of different race and geographical interest, at a period of history when every Power has to reckon, in its daily policy, with the menace of world war. The British Commonwealth, having demonstrated negatively that the fullest rights of nationalism are consistent with its own continuance, must turn its hand to a more constructive effort or pay a bitter price in dissolution from within and perhaps destruction from without.

The constructive evolution must be gradual and cannot be uniform. That is the lesson of the reference to divergent national interests within the Commonwealth. In rebuilding the British league of nations, we must avoid the error that was worked into the fabric of the Geneva League, the error of bringing under a uniform and universal formula nations with widely different situations, interests, policies and power. When the test of reality came, the Geneva structure fell apart, leaving a highest common factor consisting of little more than willingness to

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co-operate in economic and humanitarian activities. That residue is certainly not to be despised—it may be the sub-structure for something larger and more enduring in the future; but it is certainly not a sufficient pattern for the British Commonwealth in a dangerous world. Hitherto, the Commonwealth has been content to tread in the footsteps of the League; but surely, with its immense comparative advantages, it should be in advance of the League, a leader for the world in international political evolution. The international commonwealth, which in the last resort is the only system able to guarantee peace and law as we know them within the nation-state, cannot begin to grow within the frame of universality. It is doubtful whether it can grow even within the frame of the whole British Commonwealth, so different are the particular interests of its member nations, and so circumscribed the national outlooks of some of its peoples.

Mr. Lionel Curtis, in the last volume of his great and germinative work *Civitas Dei*, has suggested that the initiative lies with the British Dominions in the Pacific. "In the world as now ordered", he writes, "either Australia, New Zealand, or both together with Great Britain are the countries best able to construct the first foot-bridge across the gulf in men's minds which now prevents the world from passing from the national to the international commonwealth". And having suggested how the scope of this nuclear international commonwealth might be enlarged, through the attractive power of vital interest, he goes on to say:

A real international commonwealth in being, which included countries like India and Egypt, as well as countries like England, Australia and New Zealand, would once for all establish the idea of a world commonwealth including all nations and kindreds and peoples as the practical goal of human affairs. The impulse of other nations to join it would be greatly increased.

These visions will not, of course, have the same appeal for everybody's mind. The Sydney Conference, in particular,

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may in practice make no attempt to grasp at them; for some of its delegates will doubtless draw very different conclusions from the study of national interests within the Commonwealth. But the line of thought traceable in the agenda leads to a cross-roads where one finger-post points plainly in the direction of "a real international commonwealth", and the fact that the conference takes place in Australia may have some influence on the tenour of its discussions. Their outcome will be keenly awaited by all who believe that in the years to come the British Commonwealth has a great constructive contribution to make to world political progress.

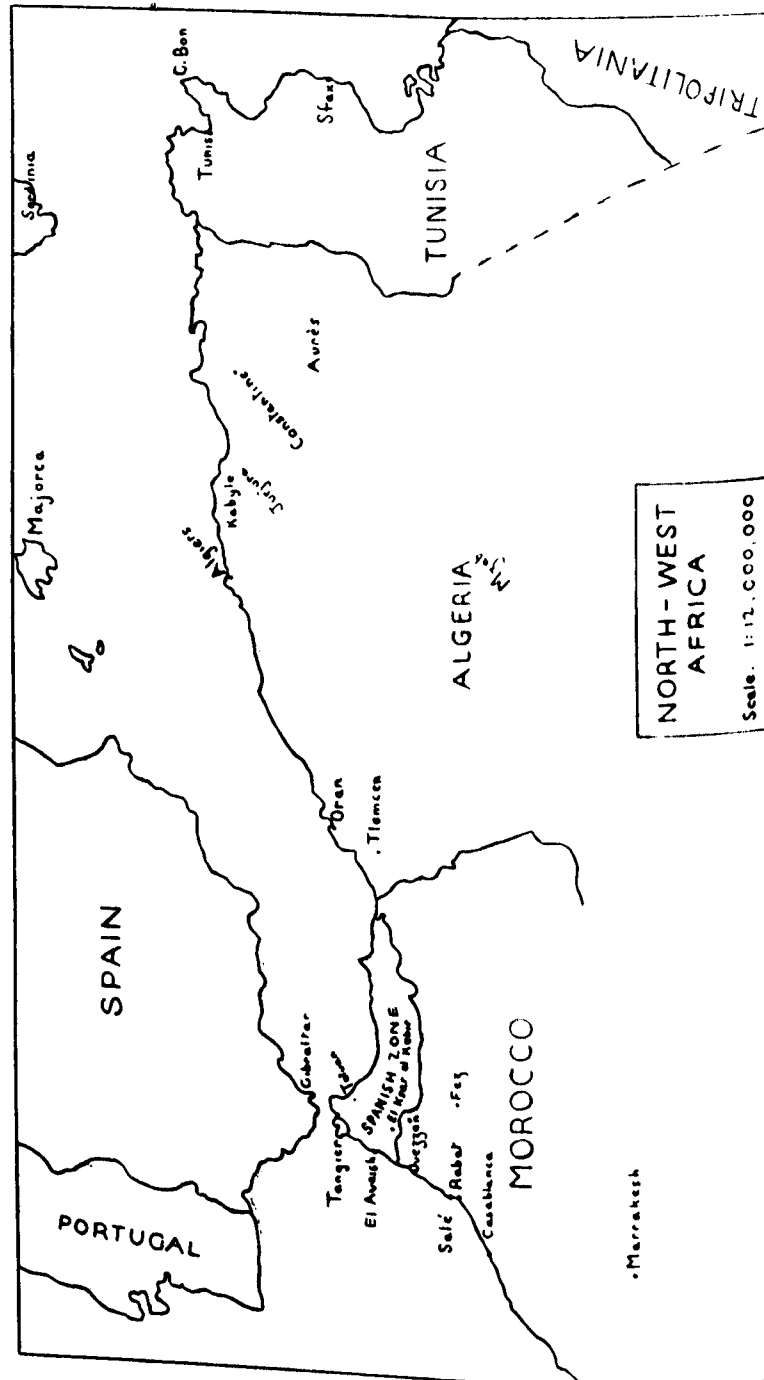
NATIONALISM IN NORTH AFRICA

By a French Correspondent.

WHEN, in June 1930, France celebrated the centenary of the annexation of Algeria, foreign observers were surprised to find the Moslem inhabitants joining in their conquerors' applause. A century of conquest followed by economic effort seemed to have brought about a permanent reconciliation between French and native interests in the richest provinces of France Overseas. In Morocco, the memory of Lyautey was still fresh in everyone's mind. In Tunisia, the policy of naturalisation had succeeded in giving the French element a preponderance over the Italian. France's achievement in North Africa seemed to rest on secure foundations. The projected construction of the Trans-Sahara railway, linking Algeria with the Sudan, opened up a still wider prospect—the building of a great empire, peaceful and prosperous, at the very threshold of the mother country, for whom it would be an unrivalled source of economic and military strength.

Eight years have passed, and at first sight great political changes seem to have distorted those hopeful visions of the future. For some time past, the press of Europe and the East has been full of reports of troubles which have even called in question the permanence of French power on the opposite shores of the Mediterranean. The purpose of this article is to consider the strength and weakness of Arab nationalism, and of that larger pan-Arab movement which in one form or another disturbs the three provinces of the Maghreb (North-West Africa) and seems to threaten the whole position of the Western Powers.

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A FATEFUL SEVEN YEARS

I. A FATEFUL SEVEN YEARS

A FEW of the events of the last seven years in the various provinces of the Maghreb will serve to illustrate the essential features of the present crisis. In May 1930, a reform of the Berber legal code, which was effected in Morocco, produced violent reactions in the towns of Fez, Rabat and Salé. Its repercussions were felt in Egypt, in Palestine and in Syria, even as far away as Java, thanks to press campaigns organised by the Syro-Palestinian Committee at Lausanne and conducted by Moroccan correspondents of the Arab newspapers.

In October 1931 a Moslem congress, held at Jerusalem, awoke unexpected echoes in North Africa. A "League of the *Ulemas* *", formed at Constantine (Algeria), actively followed up the resolutions that had been adopted in the field of Moslem reform—a return to a purified religion, a campaign against the powerful religious confraternities, propaganda on behalf of the Arab language, and the formation of local sections of the Moslem Congress of Jerusalem. There seemed, moreover, to be a growing solidarity of Islam in face of the Jews. In 1934 anti-Jewish incidents occurred at Casablanca, Salé and Constantine. In the same year the so-called *Destour* crisis broke out in Tunisia. The *Destour* movement, nationalist and agrarian in origin, modelled itself more and more closely on the pattern of the Egyptian Wafd. The Resident-General, M. Peyrouton, was obliged to exile nearly a hundred *Destour* politicians in the southern desert. The admission of 'Iraq to the League of Nations in 1932, which had aroused so much interest among Arab patriots in the Near East and Egypt, undoubtedly encouraged the *Destour* of Tunisia in their nationalist agitation.

In November 1934, just as the conquest of Morocco was completed—the last phase of 104 years of military activity

* Moslem teachers of law and religion.

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by France in the Maghreb—the Young Moroccans presented the French Government with a list of demands. This *Plan of Moroccan Reforms* constituted in their eyes the future charter of a Morocco freed from an alien tutelage. In 1933, with zealous liberalism, the Spanish republic encouraged the Arab nationalists of Tetuan in the formulation of their demands. Many of the young Arab leaders of the Spanish Zone have studied at Cairo or at Nablus in Palestine, and have visions of building an independent Morocco on the model of the Near Eastern States.

The great Near Eastern crisis, which began in Egypt in November 1935 and continued with the troubles in Damascus (January to March 1936) and in Palestine (April to July 1936), aroused new hopes in Morocco. The signature of the Anglo-Egyptian and Franco-Syrian treaties, which coincided with the rise of the Popular Front to power in France, fostered the belief that a rapid political evolution of the three countries of the Maghreb was about to begin.

The *Destour* party in Tunisia, reconstituted after M. Peyrouton's departure, and inspired by the triumph of the Wafd in Cairo, strengthened its hold on the smaller towns and the countryside. The working classes of North Africa, both urban and agricultural, multiplied their social demands in imitation of what was going on in France itself. But it is worth noting that socialism and communism have played second fiddle to the nationalist appeal. In Tunis, the C.G.T.T (*Confédération Générale du Travail Tunisien*), has refused to acknowledge the jurisdiction of the French C.G.T. In 1936, the proposal to give the vote to westernised Moslems, under the *Loi Viollette*, awoke almost messianic hopes among the native races of Algeria. A popular agitator, Messali el Hadj, a former workman of Tlemcen, founded a new movement, the "Star of North Africa", with a purely anti-foreign platform which condemned it in the eyes of the socialists and communists of France. The old guilds in the towns of Morocco, so far from joining up with French unions,

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have turned to the young nationalist leaders of Fez and Rabat.

Finally, in 1936, a short but violent crisis broke out in Morocco, where the younger elements, inspired by the example of Syria and Egypt, organised nationalist demonstrations, until the French Government was compelled last summer to intervene. Displays of solidarity in Tunisia were unsuccessful. But the North African student societies in France grew stronger, and in Paris itself some of the students were laying the foundations of North African unity.

This was the moment chosen by Italian propaganda, speaking through the eloquent and tireless voice of the Bari radio, to invite the people of the Maghreb to unite against their overlords and to found a great Arab State, with 25 million inhabitants, which would be strong enough to cast off the tutelage of the Western Powers.

The essential features of the crisis are thus plain. On the one hand, in each of the territories of North Africa, there has grown up a distinct nationalism within the present geographical and ethnical frontiers. On the other hand, each of these movements fits into the much broader Near Eastern movement, whose aim, conscious or unconscious, is to re-found a huge empire through the federation of independent Arab States, united by the same tongue, the same religion, the same civilisation, the same ambitions, the same repudiation of the West. Only Libya, garrisoned by 80,000 Italian soldiers, has escaped the general contagion, and this despite the fact that Italian propaganda, by a paradox for which it would be hard to find an example in contemporary history, does its best to spread the idea of Arab unity in the neighbouring territories.

In order to understand the strength of these nationalisms, we must consider briefly the historical and social conditions of each of the three provinces.*

* For reasons of space, the economic factors are here touched on only very lightly, although in the view of many observers they are fundamental.—*Editor*.

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II. NATIONALISM IN TUNISIA

WITH its three million Moslem inhabitants, the regency of Tunisia has for centuries been inhabited by a purely Arab population. The towns are numerous and densely populated. Arab culture is held in honour, and although real scholars are lacking there are a great many scribes. The weakness of the Berber element and the feebleness of the tribal organisation add to the favourable conditions for establishing a national Moslem State. In view of the fact that under Turkish rule this part of the Maghreb possessed a unity of civil administration with Libya, Egypt and Syria, it is not surprising that the educated youth of Tunisia takes its cue from Egypt, and that Tunisia already forms part of the Near East.

This territory has none of the warlike turbulence of Algeria and Morocco. An Arab proverb says that "the Tunisian is a woman, the Algerian is a man, and the Moroccan a lion". The natural aversion of the Tunisian to soldiering leads him to seek success in mental subtlety and dialectic skill. Tunisia is a country of lawyers, and hundreds of young men have been attracted to French culture by the study of law. This is a striking analogy with the situation in Egypt.

The first manifestations of nationalism appeared from 1911 onwards. In 1919, Sheikh Taalbi, who is reckoned a back-number to-day, published his volume of demands, *Tunisie Martyre*. It was he who founded the *Destour* party, demanding for his country a large measure of autonomy, approximating to independence, under a democratic régime. Lately, agitation has been fomented by a *neo-Destour* movement, still more radical, particularly in the manner of asserting its demands. Yet, whereas the objective of these nationalist parties is to transform the protectorate little by little into a political tutelage akin to the French mandate in Syria, the *Destour* still believe firmly in collaboration with France, with a strong military

alliance as the counterpart of political emancipation. Strong as may be the desire of educated Tunisians to take a more important part in the government of their country, they cannot blind themselves to the presence on their soil of 200,000 Frenchmen and 200,000 Italians.

Moreover, they have become aware, through the recent arrival of thousands of refugees from Tripoli, of the stringency of the Italian colonial régime and its dangers for the native peoples. The para-military organisation of the young Italians in Tunisia reminds them daily of the existence at their very door of an over-populated Mediterranean country which seeks only to expand and conquer.

It is true that, like all weak peoples, the Moslem races are amenable to the appeal of force, and that the skilful violence with which Italy pursued her conquests in Libya and Abyssinia has raised the formerly low military prestige of the Italians. But the causes of friction remain. To a natural distrust, based on the fear of a like fate, has been added the daily rivalry between racial groups whose standards of life are not very different. The promiscuity with which Sicilian workmen and small cultivators are mingled with their Moslem neighbours around Tunis and in Cape Bon does not always tend towards the respect due to citizens of the "new Roman Empire". Moslem apprehensions came to a head recently when an anti-fascist journalist was assassinated in Tunis by Italian naval cadets. The unanimous reaction of Moslems and Frenchmen against this crime was so vehement that for several weeks the Italians of Tunis found it prudent not to wear their fascist emblems.

The smoke-screen of Italian propaganda cannot conceal the basic realities; Libya is the only Moslem country in the Mediterranean zone whose Moslem population is in marked decline. Three years ago, one of the most ardent Tunisian nationalist leaders returned from a visit to Libya singing the *Marseillaise*.

The future of Tunisia depends on the wisdom of its

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educated Moslems. Under the influence of the great Arab renaissance movement, a large number of private *Medersas* have been founded in the last three years; these are virtually primary and secondary schools in which children are taught à l'Égyptienne. But the cultural influence of France is too strong for the Moslems of Tunisia to make contact with the outside world only through the medium of modern Arab culture. How can these two cultures, so different from one another, be fused? Will the young Moslems find their niche in the community, not merely in minor government employment, but in the economic, agricultural and industrial field, and in the application of modern technique? That is the real question. The internal stresses arise mainly from the difficulties of the Tunisian *bourgeoisie* in adapting itself to the economic conditions of the modern world. But among the rural classes—enriched, as in the Sahel of Sfax, by vast plantations—there will certainly emerge a new aristocracy closer to the people.

It seems, therefore, that a liberal evolution in Tunisia can safely take place within the framework of the French protectorate, provided that a strong, just, and sympathetic administration can maintain order. But order, authority, justice are indispensable. Experience in the Near East shows that it will not be easy to control the new aristocracy; hence the vital importance of maintaining and developing the system of indirect rule through the *beys*.

III. ALGERIAN NATIONALISM

ALGERIA is not comparable with any other Moslem country in the world. Surrounded by 6½ million Moslems, one million Europeans occupy the soil and dominate the economy of the country. They pay 75 per cent. of the direct taxation, and on their land lives a native proletariat. Algeria, moreover, has never been a land of towns, but before the French conquest was a collection of warring tribes, among which dwelt important groups of

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Berbers, notably those of the Kabyle, the Aurès and the Mزاب.

The former Moslem *bourgeoisie*, which scarcely existed outside Constantine and Tlemcen, has dwindled. Although it is being reinvigorated by renewed contacts with the Near East, through modern Arab literature and religious reform, it is far from being the social force that its kindred is in Tunisia or, *a fortiori*, in Syria. Its place is being taken to-day by the special class of *évolués*, French-educated Arabs or Berbers who aspire to an administrative or even political rôle within the French system. With bold foresight, the French Republic has divided Algeria into three *départements*, under prefects and sub-prefects. French institutions, though adjusted to the needs of the Moslem population, have destroyed the fabric of the Moslem State. Islam persists only in the bosom of the family, but there it is all-powerful. Indeed, it is the resistance offered by religion to the policy of complete assimilation that explains the refusal of the *évolués* to demand French citizenship at the price of abandoning their family status. Hence the importance of the provision in the *Loi Viollette* for giving the vote in European constituencies to 20,000 *évolués*, without making them renounce the religious ordinances that still regulate Moslem family life.

The people of Algeria fall roughly into two classes. First, there are the folk of the mountains and the distant villages, who maintain their ancestral traditions and acknowledge the authority of the heads of the religious confraternities. These descendants of Moslem saints have for many years enrolled the Algerian people in powerful and respected semi-secret societies. But as faith weakens, the sacred power of the *Marabouts* * slowly declines. The other section of the people, which is growing in numbers, is the proletariat, rural and urban, composed of those who have abandoned or sold their own land. Taken from his

* Moslem religious teachers who often enjoy a reputation for sanctity.

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native heath and employed by the settler or the *entrepreneur*, the Algerian becomes an easy prey for the agitator. To-day he enlists in the *Croix de l'eu* against the Jews, to-morrow in a communist cell against capitalism, the day after to-morrow under the banner of Messali el Hadj, the founder of the "Star of North Africa", against the Government. Modern Algeria, in consequence, is a scene of kaleidoscopically changing alliances among the different parties, according to the interests of the moment.

In the midst of this ideological disorder, the idea of an Algerian nation, scarcely conceived eight years ago, has taken root. The *Ulemas*, particularly their leader, Ben Badis of Constantine, have raised the cry in imitation of the Near East, while proletarian revolutionaries like Messali have proclaimed it to the oppressed people. But one must be cautious in comparing the movement with that which has inspired the new States of the Near East. For at least twelve centuries, individual and regional rivalries have prevented any unification of Algeria. In addition, a feud is still in progress between the Arab and Western cultures, while the existence of the Kabyle, the mountainous mass of the Jurjura, with its 900,000 particularist Berbers, still further handicaps the influence of the Near East.

Italian influence has no direct effect on Algeria, which in its mountains, its oases, and its high plateaux has been cut off from international intrigue. Only very recently has radio propaganda brought it into contact with the outside world. Scarcely anywhere but in Oran has it been possible to observe any reaction, however feeble, to events in Spain. According to their views and their social class, the Spaniards of that province have taken sides, but the Moslems have been indifferent.

The great enigma of the future remains the entry of the *évolués* into the French system. Some of them threaten that if the settlers, who fear for their supremacy, were to slam the door in their faces they would not hesitate to seek aid from the enemies of France. Others affirm with equal

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force their attachment to the Republic. The French Government has been astonishingly slow in tackling the problem of the *Loi Viollette*, the consideration of which was promised a year and a half ago. The fact is that the experts differ, though they all agree on two things: that something must be done, and that the mass of the Algerian population is not ready to take part in political life.

The size of its native population and the constant and rapid increase of its numbers make Algeria the keystone of the French overseas empire. Despite the strident tone of political quarrels in the Mediterranean region to-day, there is nothing to encourage the belief that the foundations of the edifice are seriously imperilled. The popularity of the army, and military fidelity to the conquering Power, remain an axiom of life for the masses in Algeria, as foreign Powers may well find to their cost if they allow themselves to be deceived by the superficial disturbances of the last few years.

IV. THE MOROCCAN CRISIS

MOROCCO is certainly one of the regions most sensitive to the Islamic appeal in the Mediterranean zone. Ever since 1850 this country has been a cockpit for the rivalries of Western Powers. False rumours of war, of strange alliances, of spectacular expeditions, flourish readily and are believed by the mass of the population. It is a country of agitators, of *mahdis*, from which came most of the conquering dynasties of North Africa and Spain. No sooner had France succeeded in converting this mosaic of tribes, of Maraboutic and feudal fiefs, into a modern state, after twenty-five years of pacification, than a young nationalism was prematurely born. This last arrival in the large family of Arab nationalisms made its official appearance in the world in 1934, just as the last rebels submitted in the Anti-Atlas.

The charter of the movement has been the little book entitled the *Plan of Moroccan Reforms*. The party, founded

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by two or three hundred young men, of whom twenty-five had university degrees, seemed most precocious in its early infancy, since it succeeded in stirring up one after another every town in Morocco, and even, in the course of last summer, in fomenting trouble among the tribes.

This would not have alarmed French opinion if its eyes had not already been fixed on the neighbouring zone of Spanish Morocco, where General Franco is said to have recruited 60,000 soldiers. Is there any close connection between the Moroccan nationalism of Tetuan, which has been so skilfully used by the Burgos military leaders, and the Moroccan party at Fez? It is difficult to say. In the first place, the troops recruited by Franco are not nationalists but those same Berbers who, twelve years ago, were being led by Abd el Krim against France and Spain combined. It was an extremely clever move to give them the very peninsular of their enemies to invade in order to secure tranquillity in Morocco. These Rifis have no ambition beyond that of all Berber warriors: to fight well, to get money, and sometimes to loot. Only the imagination of Western writers conjured up the picture of these *regulares* weeping with emotion at the sight of the Palace of Granada.

But the *bourgeois* nationalists of Tetuan are a very different pair of shoes. Without any real influence in the Rif, their field of activity is rather the region of many towns between Tetuan, Tangier, El Araish, El Ksar el Kebir, and Ouezzan. Their relations with Fez are strong and of long standing. Some of the young *bourgeois* of Fez, harassed by the French authorities, live in the capital of Spanish Morocco. Contact by letter and emissary with the Near East and with Lausanne makes this little corner of the Sherifian empire a sort of outpost of the Near East. It is principally through the influence of Arab culture that the gospel spreads from Spanish Morocco among the *bourgeoisie* of the towns under French protection—Fez, Rabat and Salé. This process is all the more important in that the better citizens of middle age seem gradually to have deserted the arena of public

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life, relinquishing it to students who are full of good intentions but without experience.

The next question one must ask is whether Italian activity has not helped to bring about the eruption of unrest during recent months. In Morocco as elsewhere, Italy has certainly benefited from the prestige of force, which has been far less heavily discounted here than in Tunisia, since the more unsavoury aspects of Italian colonisation are less well known. Even had they been familiar, Italy would have seemed too far away to be dangerous for the Moslems of Morocco. Moreover, there is unlikely to be much opposition to emissaries who hand out ready-made tracts in such terms as these:

Allah has chosen you to be the best of all peoples. . . . The Prophet has said, "unite and advance single-heartedly". . . . Mussolini has said, "it is better to be a brave man for one day than a hyena for a thousand years". . . .

It is convenient to be able to print cheap newspapers in an Italian press and to shelter under the foreign regulations if the police interfere. To sow the seeds of scepticism regarding the intentions of the French authorities, to spread false or exaggerated news, to encourage enthusiastic spirits to become martyrs—these seem to have been the methods of Italian secret propaganda in recent months.

German activity, formerly so conspicuous in French Morocco, seems to have been far more discreet. With her feet firmly planted on the old system of consuls, protected subjects, and mining agents in the Spanish Zone, Germany seemed until very recently to have been merely awaiting a more favourable opportunity. The sharp and unanimous reaction of the French people to reports of a German landing in the Rif in July 1936 increased the caution of Berlin.

The strength of Moroccan nationalism indubitably lies in the freshness of the memory of an independent empire; for until 1894 Sultan Moulay el Hassan succeeded, on the whole, both in repressing internal enemies and in preserving his country from the greedy appetites of France, England,

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Germany and Spain. To this factor must be added the relative solidarity of the urban *bourgeoisie*, accustomed to playing a part in the governmental system, and above all the rigid centralisation pursued for twenty-five years by the French protectorate. This policy, while multiplying the power of the administration tenfold, has served to unify a territory which was formerly split up into warring tribes. Influences from the Near East have also made themselves felt lately, through Fez, Rabat and even Marrakesh, among the partly educated masses. Finally, administrative mistakes during the last few years have given the people of Morocco the impression that their interests were not being protected as against those of Europeans recently settled in their country. Nothing more was needed to stimulate the development of a nationalist party, as a natural product of the social and economic forces at work in the territory.

The weakness of the movement lies in its complete inexperience and in the small numbers of its militant elements. Whatever their intelligence and their courage, they have not the strength to fulfil the task they have undertaken.

A further important factor is the ethnical and cultural diversity of the Moroccan people. Whenever Morocco has been united in the past, it has been at the hands of great conquering tribes. What will become of Morocco when its rural leaders are educated? Undoubtedly they will draw nearer to their fellows in the towns, but it is still too soon to tell what direction they will give to the civilisation of Morocco. A taste for modern technique? A practical spirit and a capacity for work such as few Eastern peoples possess? A leaning towards warlike adventures? One thing seems certain, that the people of Morocco would never accept an evolution on the Algerian pattern, in which their traditional institutions were undermined. Nor will they drift into the Tunisian torpor, nor drug themselves with oriental verbosity.

NATIONALISM AND UNITY

V. NATIONALISM AND UNITY

THERE undoubtedly exists in all these French possessions in the Maghreb a tendency, weak or powerful, towards the birth of nations. This tendency is encouraged by the French political parties that favour colonial emancipation, that is to say, the communists and the various groups of socialists.

Contrary to the repeated assertions of the French press, during the last two years the strict communists have abandoned the policy of giving unlimited encouragement to native nationalism, in order to concentrate their effort on the class war. In Algeria itself, the communists and the partisans of the "North African Star", both of them proletarian parties, quarrel over the issue of nationalism. The communists think of it as emerging within French sovereignty, whereas Messali demands complete emancipation. Among the French socialists, two tendencies are in conflict. The so-called *Pivertistes*, whose most prominent leader is Marceau Pivert, preach "revolution in our time". The Government socialists, on the other hand, seek for the moment simply to remedy abuses, and are content to look forward to a slow advance. But apart from visionaries, demagogues and foreign agents, the leaders of the movement all conceive of the formation of North African nations within a French Empire. If the future favoured their plans, they would differ only over the forms of attachment to that Empire.

Is there then no tendency towards an anti-French unity of North Africa? It would be imprudent to invoke the historical fragmentation of the Maghreb as a decisive argument against that unity. To-day, both Eastern and Western influences are helping to break down the particularism of North Africa. Tunisia has long been won over to the Arab renaissance movement. The press and ideas of the Near East penetrate into Algeria chiefly through Constantine, and, in less measure, through Tlemcen. Egyptian

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books and newspapers now reach the villages of the high plateaux and the oases, and the work of the press is completed by the Arab-speaking cinema and theatre. In Morocco, all this literature penetrates *en masse* through Fez. Besides the newspapers there are those illustrated magazines which take the place of books in the Near East of to-day. French cultural influence being powerful in the Near East, it is paradoxical to see young students of the university of Qarawiyn, totally ignorant of the French language, making acquaintance with Victor-Hugo and Jean-Jacques Rousseau by means of Arab translations made in Cairo.

Recently a prominent Egyptian, a brother of Bassel Pasha, exhorted the Moslems in Algiers to educate themselves on the Egyptian model. The Emir Shekib Arslan has been to Tetuan to fold his Moroccan flock and to earn his name of "spiritual father" of contemporary Arab nationalism. Paris itself forms for the students of North Africa a magnificent rallying point which they do not hesitate to use. There they share the same life with young Egyptians and Syrians and thrill to the same hopes. A Moslem league of North African students has been founded, and favours the holding of student congresses successively in Tunisia, Algeria and Morocco. It is difficult to disentangle the question of modern Arab culture from political issues, since the cult of the Arab language is an integral part of Moslem nationalism. The French Government has therefore been obliged more than once to postpone the assembly of these congresses. But in any case the young men of three countries whose intellectual and moral problems are so alike naturally share a feeling of solidarity. Hence it is not surprising that some bold spirits have dreamt of forming at once a political union of North Africa, an *Ouabda Maghribiya*. Secret societies would help in co-ordinating the demands of "brother Arabs" in the different countries. Here is another direct imitation of the Near East. 'Iraq, Syria and Palestine have formed a similar

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shadow alliance, which has played its part in the history of the last few years.

This is perhaps the most fruitful field for foreign propaganda hostile to France. It plays on that self-deception, so frequent among Eastern peoples, which would rather construct a great empire than organise a city. Fine projects are more tempting than daily realities. To the agitators it does not matter that the only outcome is trouble. Their function is not to guide the people but to create disorder.

Against this moving background of North African nationalisms, slowly but surely a French policy is emerging. The existence of three different political formulas whereby France has consolidated her power on the opposite shore of the Mediterranean has long handicapped the co-ordination of her North African policy. The intervention of different Ministries makes it an almost insoluble administrative problem. Algeria, divided into three *départements*, is under the Ministry of the Interior; Morocco and Tunisia, by reason of local sovereignties and the protectorate treaties, have remained under the authority of the Foreign Office. Algeria has representatives in the French Parliament, who are anxious not to have their administrative and political status thrown into the melting pot through the merging of their provinces in a larger entity.

Nevertheless, an evolution is gradually taking place. In 1923, Marshal Lyautey suggested the organisation of North African Conferences, which would be held successively in the three capitals of North Africa. This institution, intended to pave the way for political and economic co-ordination between the three States, atrophied and disappeared after six years, because the three administrations did not yet feel the need for collating their different views. In 1934 a still-born Ministry of France Overseas, comprising not only the colonies but also Algeria and the protectorates, represented a new venture in the same direction. In 1936 came the establishment of a Secretaryship of

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State including the whole of North Africa; Algerian particularism forced it to rest content with supervising the co-ordination of Islamic problems in Morocco, Tunisia and the Levant. Meanwhile, there had been set up the Mediterranean High Commission, a periodical reunion of the Governors of North Africa and of the Levant. In 1936 it was strengthened by the formation of a permanent secretariat, endowed with an investigating staff and attached to the office of the President of the Council. The various North African crises finally resulted, in 1937, in the creation of a Ministry of State charged with co-ordinating and controlling the North African administrations. The idea of a Ministry of North Africa is thus progressing.

The slowness with which these new organs have been built up may seem strange to the British people, accustomed as they are to the idea of the evolution of their dependencies within the British Commonwealth, and to the creation of appropriate institutions. But hitherto the efforts of the French in North Africa and in tropical Africa have had a local character, in accordance with the particularist views that derive from the very intensity of past efforts. The French Empire has been built much more slowly than that of Great Britain; while the Commonwealth of British peoples has already taken a form that one can regard as definitive, the French Empire in Africa is only just beginning to emerge.

In this wider framework, French sovereignty in North Africa will be maintained and strengthened in the future, amid the natural tendencies of the Moslem peoples towards self-government. Come what may in the Maghreb and in French West Africa, the task of the Republic will be pursued under every régime with the same energy. Co-ordination as well as organisation will be needed, and the real problem is to know how to reconcile, in Paris, the necessary autonomy with central authority.

Paris, 1938.

WARP AND WOOF OF AMERICAN POLICY

I. CO-OPERATION OR ISOLATION

THE United States is puzzling its way through a business recession—best called a relapse—and is trying to keep abreast of troubled world conditions with a modernized foreign policy. These two factors dominate the national thinking. The evidences are to be seen in nearly every community. Unemployment, lay-offs, reduced wages, reduced purchasing and consumption, are leaving their marks everywhere, although a good many people are clinging to the hope that it will be a V-recession after all, not a U-recession, and that better conditions will soon be appearing out of the fundamental economic factors making for an upturn. Among such factors, for example, are the great shortages accumulated in the durable goods industries through the depression years. After the sharp December and early January slump, the optimists are hoping that the small upturn which began in mid-January will continue. But beneath such hopes a great uncertainty prevails. The fact is that nobody can see ahead with any confidence, and all the whistling is in the dark.

This uncertainty about economic affairs—which extends from Congress to the corner grocery store—is matched by a groping in the nation's attitude toward the world problem. You may say that this is nothing new in the formation of American foreign policy. True enough. But to-day the public is far more conscious than ever before of the grave dangers to civilization that exist in our times. The newspapers, the radio and the news-reels bring their story

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to every community. As ever, the dominant feeling dictated by the continent's deceptive physical isolation is "stay at home and stay out of trouble". Against this narcotic emotion, President Roosevelt and Secretary Hull, together with many private citizens and authorities, are struggling to conduct an "educational campaign". They are making perilously little headway, and when demagogues among the isolationists begin to attack the nascent world-co-operation policies of the Administration their slogans evoke an immediate emotional response.

By the time this article is printed, the President's message proposing further increases in the navy and army will be under study in Congress. The outward purpose of the recommendations is to keep abreast of other Powers, which have already gone beyond the old treaty limits to which the American navy has been hitherto bound under its naval building law, the Vinson-Trammell Act. But the inward purpose of the President's new recommendations is not merely to safeguard the immediate continental defenses of the United States. The army's share in the increases was put in as a safeguarding afterthought, and as the result of political pressure, for there are army posts in many congressional districts. Actually, the enlargement is an important stage in American diplomacy, a warning to the aggressor nations that President Roosevelt intends to play an active rôle in the struggle to preserve peace. It is a warning first, perhaps, to Japan, and secondly to any European Powers that may be taking a long-range look toward South America. The recent establishment of a corporative form of government in Brazil, *plus* events like the flight of Bruno Mussolini and his comrades to that country, *plus* the flourishing Italian and German colonies and military advisers in South America, have all made deep impressions in the United States. It is certainly felt that the Monroe Doctrine is in graver danger than for many years, that doctrine being taken in its original sense as a warning against European penetration in the Americas.

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American public opinion is certainly prepared to resist any aggressive European expansion in this hemisphere. But it is not so ready to support a strong anti-aggression policy in the Far East, and definitely opposed to any American intervention in Europe. In consequence, public and congressional opinion is generally suspicious about the new naval expansion program in so far as it is a vehicle for a strong foreign policy.

The general public viewpoint on foreign policy has rarely been so divergent from that of the President and his Secretary of State. As far as the closest observers can judge, the rank and file of national opinion is strongly isolationist. The *Panay* incident was a good test of the inflammability of American emotions, and it found them rather fire-proof. A further incident of the same nature would discover, perhaps, that the asbestos coating had worn thin. And any threat against the Americas, however indirect, might light upon an area of explosive combustion. But in general the public stiffly resists any strong, positive, preventive policy.

"Morally", of course, the American public sternly disapproves of what is going on in the world, and applauds the President's eloquent reprimands to the dictatorships, so long as they remain mere oratory. Public opinion supported our sharp note to the Japanese Government, and was delighted when the President requested that his views be called to the attention of the Japanese Emperor. If any "safe" ways could be found of chastening Japan—any economic or financial ways, for instance, that could be shown to be entirely fool-proof—the nation would probably support them warmly. In short, mass opinion would like to see Japan set back on her heels, but is not prepared to take any risks in such a task.

Sharply contrasting with mass opinion are the leaders, who include the President and his foreign policy advisers, many of the most important newspapers, and various eminent students of the world problem like former

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Secretary of State Henry L. Stimson. These leaders are promoting a strong and positive policy. They would like to press forward with the Hull trade program on the one hand, and on the other to evolve new means of political collaboration with the democratic nations. As to the Far East, they favor economically coercive steps toward Japan, and some of them are talking freely of a possible Anglo-American naval blockade—a step that is miles beyond what public opinion would support in anything like its present mood.

Mainly, however, these crusaders are trying to create an American state of mind. They want to make the world safe for democracy again. They are in about the 1915-16 American mental state. Secretary Hull is probably the most keenly aroused member of the group, along with former Secretary Stimson. Mr. Norman Davis, the President's ambassador-at-large, is an active spokesman for the crusade, both publicly and in small private gatherings. The President himself may soon make another radio speech on the subject, which he has only touched briefly in public utterances since his Chicago speech. He has, however, talked freely and pointedly to many private visitors to his study.

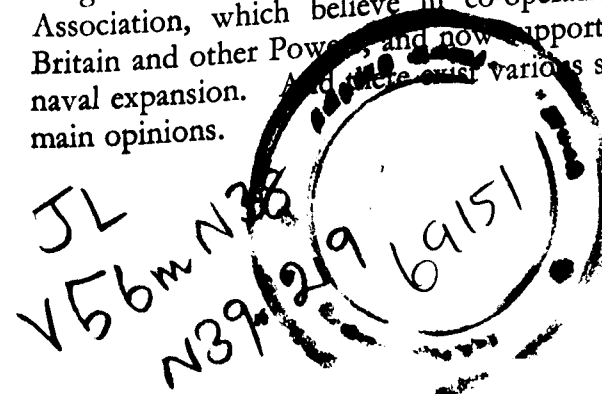
Behind this fairly well-known "educational" activity of the leaders, there is a great deal of other movement which would be more disquieting if it were known to isolationist opinion. The President's discussions with his naval officers have definitely dealt with the possibility of a long-range blockade of Japan. Through representatives, he has been in closest touch with the British Government. Captain R. E. Ingersoll, chief of the war plans division of the Navy Department, spent late December and early January in London, conferring with the Admiralty. His outward mission was to find out what is happening technically in British naval construction, particularly as concerns new battleships and the calibre of guns they mount. Another obvious job was to find out if the

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Admiralty possesses any information unknown in Washington about the rumored new Japanese battleships, supposed to be of some 46,000 tons and mounting 18-inch guns. But a mission of even more importance to both Governments, it may safely be assumed, was to discuss the possibility and ways and means of naval co-operation in the Far East. Captain Ingersoll's unheralded visit suggests in essence the exchanges of information in pre-war days—or in the last year or two—between Paris and London, but it has no such precedent in Anglo-American relations.

When the general public comes to know of these goings-on, opinion may well take fright, reasonably or not. A certain mistrust of President Roosevelt's foreign policies has long been brewing, particularly among some of the more ardent New Dealers who believe that overseas adventuring gets in the way of domestic reforms. Most of the zealous Roosevelt revolutionaries, as a matter of fact, are either indifferent to foreign policy or would prefer to see a more or less closed economy, under their management. There are occasional exceptions, and the zealots have generally given Secretary Hull a clear berth, but their views may become more important if they join with the many isolationists in Congress.

Among the professional peace workers and foreign-affairs groups, a distinct cleavage exists. There are some eminent and ardent pacifists, like the National Council for the Prevention of War, who want stern neutrality and immediate application of the Neutrality Act to Japan and China. They are also against naval expansion and any taking of sides in the democracy-dictatorship split. They are working with the isolationists in Congress. On the other side are the less pacifistic peace organizations like the League of Nations Association and the Foreign Policy Association, which believe in co-operation with Great Britain and other Powers, and now support a considerable naval expansion. And there are various shades of these main opinions.



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In Congress, up to the present, there has existed both a predominance of isolationist sentiment and a willingness to vote heavy appropriations for armaments. Whether, suspecting that the new expansion in the navy is for diplomatic and co-operative purposes—to aid the democracies and alarm the dictatorships—these congressional supporters of armament will turn into oppositionists remains to be seen. But there are reports that such former big-navy groups as the American Legion, and such old isolationists as the Progressive and Republican senators, are going to join with the anti-Roosevelt insurgents to fight the President's program.

II. MR. LUDLOW AND MR. CARTER

THE full depth and nature of isolationist feeling, as well as a graphic illustration of practical politics on the American scene, were disclosed in the Ludlow Amendment episode. This tale really deserves telling at adequate length. A burly and amiable ex-newspaperman, Representative Louis Ludlow of Indiana, introduced several years ago a constitutional amendment providing for a popular referendum before Congress and the President could declare war. He introduced his resolution at the behest of pacifist groups, as a friendly gesture which might provide some good publicity for Representative Ludlow. The Bill was ignored by the congressional leadership. After it had grown dusty in committee for several years, Representative Ludlow began to pass around what is called a "discharge petition". If a congressional committee fails to report a Bill to the floor of the House, it becomes necessary to "discharge" the committee of consideration of the Bill by a petition signed by a majority of the full membership of the House. Few such petitions ever get enough names.

But Representative Ludlow, whom everybody likes to please, carried his petition around with him, and from time

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to time members of Congress would sign it, just as a favor to a colleague, and because his proposal seemed a "good idea"—but not an idea that anybody ever expected to get into law. By this process of steady accretion, Representative Ludlow by last December suddenly found himself within a dozen votes of his majority of signatures. Then the *Panay* was bombed and sunk on the far-away Yangtze. Instantly, more than enough members to put the Ludlow Resolution over the top hastened to the good congressman and put their signatures on his petition, alarmed lest President Roosevelt should put us into war overnight, and anxious to file a moral protest, at least.

Then, however, it was Representative Ludlow's turn to be alarmed. He had the bear by the tail. For the Administration began to turn its full guns upon his Resolution. They were desperately afraid it would pass, and be a shot heard round the world—a declaration that the United States would never go to war until after a long and dubious popular referendum had taken place. President Roosevelt and his advisers feared a serious upset to the constitutional prerogatives of President and Congress, a blow to the basic representative system. And they knew that as a real safeguard the referendum was worthless; for popular opinion can be swayed as readily as congressional, and in this democracy no President could think of waging war without overwhelming national support.

So the Administration turned all its guns on the Ludlow Resolution. President Roosevelt and Secretary Hull wrote stern letters to House Leaders. Alf M. Landon, the last Republican candidate for the presidency, appealed for the opposition votes of his party, and Henry L. Stimson, last Republican Secretary of State, delivered himself of an immensely weighty and imposing argument against the amendment. The obliging Mr. Ludlow, who least of all wanted to be in the President's bad books and lose all his political patronage, was unhappiest of everybody, but he had to keep clinging to the bear's tail.

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Came the day for voting. In preparation, the Administration turned on all possible political "heat". The state and city "bosses", the national political manager—Jim Farley—and all the faithful machine-controlled leaders instructed their representatives to vote "nay". And the Ludlow Amendment—after the opposition of President and Secretary of State and their opposite numbers in the other party, almost unanimous newspaper opposition, and all possible political whip-cracking—was lost by the tiny margin of 214 nays to 196 yeas. And these majority votes came from the party machines in three big states—New York, Pennsylvania, Illinois—and from the "solid South", which is not much interested in foreign affairs but sets great store by party loyalty. No more striking proof could be afforded of the real depths of anti-war sentiment in the American commonwealth. That the measure was only defeated by the worst type of machine-politics votes, with Tammany polling strongly, is a clear commentary on the task confronting the leaders as they seek to persuade the public that vigorous co-operation is necessary if war is to be avoided.

On the other side of the fence there are various spokesmen defending isolationism, and it is a curious streak in democracy that the most formidable of them is a British-born naturalized-American radio news commentator, one Boake Carter. Mr. Carter speaks five nights a week, fifteen minutes a night, to the American public on a radio period bought by the manufacturer of the product he advertises, which happens to be radio sets. He has an immense following, in every part of the country. His words reach millions of people every night. Mr. Carter, moreover, gives a running news-commentary, and only weaves in his isolationist views as they fit the news. His propaganda, therefore, is doubly effective.

It is difficult to estimate the real effect of Mr. Carter's personal efforts, but the best authorities declare it to be immense, and Secretary Hull makes the air blue at the mention

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of his radio rival. Mr. Carter, remember, is appealing to a sympathetic sub-stratum of emotion. It seems fantastic to draw the conclusion, but students of American public opinion may well decide that this one man alone (though he is not alone) can do much to blunt the edge of the whole Administration effort to work out a more active foreign policy.

This sort of thing has happened in democracies before, and it will happen again; it is a projection of the power of the press as it was shown in Great Britain, for instance, in the Zinoviev Letter affair. But it is strikingly dramatic when transferred to the radio waves. Mr. Carter was born in Baku, Russia, son of a British consular agent and an Irish mother, Edith Harwood-Yarred Carter. He served in the Royal Air Force, and came to the United States in 1920, but was not naturalized until 1933. He was at one time a newspaper reporter, and worked for some years in the oil business in Mexico and Central America. Since 1932 he has been amazingly popular as a radio commentator.

There is one way in which Mr. Carter's powerful criticisms of American foreign policy may be prevented, and the method is being tried. His contract with his radio-company employers expires shortly, and he has signed a new contract with an immense wholesale food company—General Foods. This company is owned by Mrs. Marjorie Post Davies, wife of Joseph E. Davies, American Ambassador to the U.S.S.R. and a firm supporter of Administration foreign policy. Ambassador Davies, it is understood, may "speak to" Mr. Carter, and it remains to be seen whether the tone of his comments will change or not.

These strange and spectacular facts may have a trivial and gossipy look to them. Actually, they are the warp and woof that make up the fabric of public opinion in this democracy. They are the hard facts, not the abstract theory, of the formulation of our foreign policies, and they reveal some of the obstacles to a courageous and risk-taking policy of action.

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Mr. Carter has bitterly attacked Secretary Hull's world trade theories, and that is where his shafts have struck home with the determined Tennessean. But Secretary Hull presses on, and, with British representatives shortly to arrive for actual negotiation of the Anglo-American trade agreement, he hopes for a success that will turn the tide, and lead to many future agreements among the members of the American group and sterling-area.

III. BUSINESS AND POLITICS

ON the domestic side of the picture there is much to chronicle. The extent of the economic recession is known to every informed American reader. The declines in manufacturing output in the United States were among the most drastic ever recorded within so brief a time in all our business history. In three short months, most of the hard-won gains of the three recovery years of 1935, 1936 and 1937 have been cancelled. The question now is whether this rapid relapse of general business will become far more serious before its downward rush is checked. Nobody can tell, although many economists feel the bottom has not been reached. Most of them agree that the economic conditions for a prolonged depression are not present—if the “right” recipes for recovery are used.

Colonel Leonard P. Ayres, a critic of the Administration but one of the most perspicacious and experienced of business observers, lists six reasons for the decline, all of which assume that the Administration has good intentions but has bungled things. Oddly enough, after he and his business colleagues have demanded a balanced budget in the most peremptory of tones for years, Colonel Ayres says that “the explanation having the widest support among economists is that our present difficulties are the direct results of attempts made by the Administration to institute a balanced budget”. He points out that after spending from \$4,000 million to \$6,000 million a year for

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years—which provided mass purchasing power—the Administration in 1937 sharply reduced its borrowings and increased tax receipts, until it was actually taking more from the flow of purchasing power than it was putting in.

Colonel Ayres, like other authorities, refers to a “sit-down strike of investors” last summer. But he concludes, also like many others, that if the Government would make peace with the private utilities it would release more than \$1,000 million in expansion building in the next year. “We have all the economic requisites for prosperity”, say Colonel Ayres and most of the observers. “Our troubles are political, not economic. . . . Our solution must come through co-operation between government, business, and labor, and our problem is to develop a working combination of that co-operation.”

To meet just such demands, President Roosevelt all through January held a series of discussions with business, industrial, financial and labor leaders. He strove to create an atmosphere of co-operative confidence. Some of his most severe critics, whose shadows had not darkened the White House doorstep for these many years, sat agreeably in the President's easy chairs. They departed with optimistic statements. This atmosphere was somewhat clouded by occasional statements of the President along his old reformist lines, statements which he sought to soften or retract when their effects were too severe. He was plainly trying to please both sides.

It therefore remains open to doubt whether the new atmosphere in Washington—the new “moral climate” that seems to have spread to the formerly punitive Chief Executive—has any fundamental meaning. Thus far his co-operative conferences have not led to peace with the utilities, nor to a promise to repeal the corporation surplus tax or capital gains tax, both of which are taken by business as symptomatic of the New Deal's most damaging policies. Nor have the President's plans to promote a great housing drive made real progress. Nor are the railroads—the third

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great consumer of capital goods, along with the utilities and the housing industry—yet assured of rate increases sufficient to put them on their feet.

In short, it is a period of transition. The outward evidence indicates plainly that both the President and business leaders are seriously worried, and somewhat in a mood to compromise. But the President cannot break altogether with organized labor. In a striking statement on January 25, he opposed wage reductions, and said that the needed cuts in prices must be made at the expense of stockholders who would get the profits in good times. So it is not clear whether Colonel Ayres' "working combination of co-operation" is actually taking form. All that can be said is that the atmosphere is no longer bellicose, and that the President seems ready to make some concessions without surrendering his basic objectives. Whether such a compromise will be good enough to invigorate business, start the flow of investment capital and replacement orders, and overcome consumer-resistance, remains altogether to be seen. But if the frozen walls of the confidence-glacier should melt, there would certainly be a tremendous rush to the sea—a rush so great as to be fearsome. And so the nation waits, and watches.

Meantime, the New Dealers are meditating recipes for reform. Their anti-trust campaign in the courts is making real progress. The President has promised to seek anti-monopoly legislation at this session of Congress. It is a basic campaign: a campaign that concerns the control of trusts, monopolies and concentrations of wealth in general, with the objective of a better distribution of wealth and income in the United States, where in 1929, at the height of prosperity, one-tenth of one per cent. of the people had as much income as the poorest 42 per cent.

There are two methods of striving toward the goal of controlling these concentrations. One is through the specific prohibitions of the anti-trust laws, strengthened, modernized and clarified. Another is for the government

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to sit in at the council tables of cartels, trade institutes and the like, attempting to supervise affairs directly. It is not yet clear which line will be followed; both are being urged on the President, and it is possible that he will compromise.

In Congress, little progress is being made. The Senate was stuck through most of January with the filibuster of no more than a score of determined Southern senators against the anti-lynching Bill. Though perhaps 70 members of the Senate are prepared to vote for the Bill, the minority has shown its ability to talk the measure to death. Prodigious feats of talking—day after day and night after night—have been performed this month by Southern senators, whose lungs are sound, vocabularies ready and eyesight good enough to read aloud to a vacant Senate from this or that obscure tome. It is a mockery of government, but a good illustration of the checks and curbs upon which the American system of politics is based. One possible constructive result may emerge: the South itself, wincing at the mass condemnation by 70 senators and a majority of the House, may set its own affairs in order and enforce state statutes against lynching, thus accomplishing what it was proposed to do under federal law. The month-long filibuster is at the point of ending, as this article is written, with the majority conceding defeat and permitting the Bill to be shelved.

While legislative matters mark time, judicial changes have been fundamental. Mr. Justice Sutherland's voluntary retirement from the Supreme Court has given President Roosevelt a five-man "liberal" majority on the tribunal for the first time. The historic conservative group is now reduced to only two justices, McReynolds and Butler, while the fluctuating pair—the Chief Justice and Mr. Justice Roberts—cannot sway the Court any longer. The majority is composed of the long-standing liberal trio, Justices Brandeis, Cardozo and Stone, with the addition of Mr. Justice Black and President Roosevelt's latest

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appointee, Mr. Justice Reed. The new member, formerly Solicitor-General, was hailed as a compromise appointment. He is far from being a "radical", but he sympathizes with the New Deal program, and may be described as a middle-of-the-road liberal. His legal abilities are respected, and he was warmly welcomed both by the Chief Justice and by national opinion.

There is a distinct prospect that President Roosevelt will have more appointments. Mr. Justice Cardozo is in very poor health. He was too recently appointed to partake of the retirement privileges by which Justices Van Devanter and Sutherland left the bench. But a special law may be passed in his behalf. Moreover, Mr. Justice Brandeis is 82 years of age, Mr. Justice McReynolds is 76, and the Chief Justice will be 76 in April. At least Mr. Justice Brandeis, and perhaps the other two, are expected to leave the bench before long. In that case, from two to four more appointments loom rosily before President Roosevelt. In the end, therefore, he may have appointed as many new justices as he would have done under his enlargement plan last year, which tore his legislative majorities apart and contributed to all the unsettled conditions that have prevailed since.

Last year's Court battles, therefore, may have been entirely unnecessary, and a bare twelvemonth of waiting has given the President all he wanted—a certain majority on the bench, with the chance of building up a majority good for many years. If one recalls how mightily the Court fight over-shadowed the American scene for six weary months, to the disparagement of everything else, to-day's outcome furnishes an ironic last chapter.

United States of America,
January 1938.

RE-ENTER IRELAND

I. BUNREACT NA HEIREANN *

IN the early morning of December 29, 1937, the firing of a royal salute of twenty-one guns reminded the sleepy citizens of Dublin that they had a new constitution and that their Christmas holidays were over. A little later, escorted by a cavalcade of hussars, Mr. de Valera, with his fellow Ministers, drove in state to attend a votive mass at Dublin's pro-Cathedral. It is interesting to speculate concerning the thoughts of this remarkable man on that historic occasion. The day before, he had been Uachtaran or President of the Executive Council of Saorstát Éireann (the Irish Free State); now he was Taoiseach or Prime Minister of Éire (Ireland), a distinction almost without a difference. His new rôle was the culmination of eighteen years' devotion to the purpose embodied in the formula "external association". His mind may well have travelled back to February 6, 1920, when in a New York hotel, as fugitive president of the Republican Dail, he first expounded this project to American pressmen, suggesting that Ireland would willingly enter into an agreement with Great Britain, such as existed between the United States and Cuba, which would prevent any foreign Power from using Ireland for hostile strategic purposes against her neighbour. It was that interview which, embodied in the draft treaty taken to London by the Irish delegates in 1921, and afterwards in the famous Document Number Two, plunged Ireland into civil war.

* The Irish Constitution, literally "The fundamental right of the Irish." See THE ROUND TABLE, No. 107, June 1937, pp. 388 *et seq.*

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pursued with such single-minded pertinacity was to-day the law of the land: Ireland (Eire) was at last "externally associated" with Great Britain and the other States members of the British Commonwealth. If he were to proclaim a republic to-morrow, there would be no need radically to alter this new constitution. Who would have thought such a development possible fifteen years ago, when on this very issue Mr. Lloyd George had threatened "immediate and terrible war"? But one wonders if Mr. de Valera's logical, but also unpractical, mind adverted to the other side of the picture. Did he remember that, but for the Treaty of 1921, which he opposed in arms, and the subsequent labours of Mr. Cosgrave and his colleagues, culminating in the Statute of Westminster, this new constitution could never have been peacefully enacted? Did he reflect that for the man in the street its only obvious enlargement of freedom was the abolition of the supplementary article in the old constitution which established military courts and gave the Government drastic power to suppress political crime, and that even now the abolition was qualified by the reserved right to set up special courts if the ordinary courts should prove inadequate to secure the effective administration of justice and the preservation of order? Did he realise that, whilst the new constitution changed the external trappings of the state, it left its fundamental basis undisturbed? It does not mention the King, but he remains our representative, at least in relation to the outside world. Looking around the Cathedral, Mr. de Valera would see present no Ministers of any foreign State accredited to His Majesty in Eire, for the occasion had no external significance. The constitution substitutes an elected President for a Governor General who was in fact selected by the national Government. It revives on a vocational basis the much-abused Senate. Our citizens can emigrate to Great Britain or the Dominions without being treated as aliens. In short we have, from one point of view, only indulged in a bit of comparatively harmless

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make-believe, and everything remains much as it was before.

Nor could Mr. de Valera rejoice that the two chief aims he had in mind were yet achieved or even in sight of achievement. The extreme republicans, whom he had sought to placate by creating this strange hybrid republican kingdom, had rejected his solution with contumely. The unity of Ireland, which it had been his aim to advance, had become more remote, if not impossible. But some important ends he could certainly claim to have secured. At last no Irishman could say that he was not free to choose his own form of government. We had freely chosen, and that very morning, the British Government had in effect admitted our right to do so by conceding that the new constitution effected no fundamental alteration in our position as a member of the British Commonwealth. Their decision had eliminated the political issues that had been raised by Mr. de Valera's unilateral alterations in the Treaty of 1921. Moreover, the principal cause of bitter division between our two chief political parties had been removed, and it was unlikely that any party of importance would seek to reopen the wound. Above all, it had been made clear that Ireland remained intact in spirit, relinquishing no right or claim to reassert in due time full sovereignty within her natural frontiers. These things, it is true, may be mainly metaphysical, but from an Irish point of view they are fundamental.

Broadcasting on the same evening to the Irish people at home and abroad, Mr. de Valera said he hoped and prayed that with the new constitution their country would have a new life of peaceful and ordered progress in friendship with her neighbours and the other nations of the world. Within that constitution, he claimed, the unity of the national territory could be restored, and the people could freely exercise their right to enter into, determine, or maintain any relationship with other nations that might be open to them. Within it any man, or group of men, commanding the

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support of the majority in the national parliament, could legally carry through any programme in the domain of our internal or external relations which he or they might conceive to be in the national interest. The new constitution was, he said, a free constitution, not dependent upon any theory of constitutional relations with—not to speak of subjection to—any other country or group of countries. It was framed on the basis of the full international personality of the Irish State, and, while providing for the machinery of friendly co-operation with other nations in matters that might be deemed of mutual interest or common concern, was untrammelled by any commitment whatever in the domain of external affairs. On the day on which this constitution became effective over the whole of the national territory, Emmet's epitaph might be written.* The hastening of that day was one of the great tasks to which he summoned the Irish race to dedicate itself anew.

These views were not, however, shared by the extreme republican element, who made up for their lack of numbers by the violence of their protestations. Speaking on January 4, in the Mansion House, Dublin, at a reception held to celebrate his release, with others, from prison, Mr. Maurice Twomey, the head of the Irish Republican Army, said that the two partition parliaments and executives were the tools and agents of the British in dividing the nation, in depriving it of its true sovereignty, and in holding the Irish people in subjection to England and the British Empire. In recent years, he said, there had been a deliberate campaign to promote demoralisation and apathy, and to undermine the efforts of the republicans. This had made it possible for a political party to "put across" a constitution which purported to apply to the whole of Ireland as a "sovereign" State. But the imposture had deceived nobody. It was just a new Act of Union with England

* "When my country takes her place among the nations of the earth, then, and not till then, let my epitaph be written." Emmet's speech from the dock.

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and the British Empire, and a piece of national sabotage, intended by its authors and supporters to be an obstacle in the path of those working to restore the Republic. He concluded by appealing for unity among all separatists. It will be interesting to see what use Mr. Twomey and his friends will make of their new-found liberty and liberties.

The most pungent and good-humoured comment on the new constitution is to be found on the cover of the current issue of *Dublin Opinion*, which depicts the symbolic figure of Erin—rather like a pantomime fairy queen—advancing to the footlights in front of the traditional sunburst. Underneath is written "The Dawn of a New Eire" (pronounced Era), whilst Mr. de Valera, as producer in the wings, remarks: "I wonder could we manage a slightly warmer glow in the north-east corner".

II. THE NEW SENATE

THE principal legislative task of the Dail during its autumn session was the Bill providing for the election of the elected portion of the new Senate.* At an early stage in the proceedings the Bill was referred to a special committee of fifteen deputies representing all parties in the House. Unfortunately this conclave, whose proceedings were private, could not agree, but the majority, consisting of the Fine Gael, or Cosgrave party, and the Labour and Independent representatives, carried by one vote a scheme providing that the Dail should appoint an electoral college to consist of ten representatives of the Government party, seven of the Fine Gael party, four of the Labour party and one Independent, who would elect the Senate from candidates nominated by the Dail. The Government refused to accept this plan, although it was admittedly only a temporary expedient, on the ground that it was contrary to the principle

* See THE ROUND TABLE, No. 109, December 1937, p. 67. Mr. de Valera as Prime Minister can nominate eleven senators direct, and six will be elected by the universities.

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of proportional representation. They then abandoned their original plan, which provided for an electoral college consisting of all candidates at the last Dail election who received over five hundred votes, voting in proportion to the support they had received at the election.

The new plan, which has now become law, provides that five of the members to be elected shall represent cultural and educational interests, eleven agriculture, eleven labour, nine commerce and industry, and seven administrative experience. The panels from which these members are to be elected will be constituted as follows. To the administrative panel the Prime Minister and the leader of the Opposition can each nominate two candidates. The Dail can nominate sixty-nine candidates to all panels combined, each candidate being nominated by two members of the Dail and each member of the Dail having only one nomination. The remaining candidates, who may not exceed seventy-five in number, are to be nominated by the various existing vocational bodies throughout the country, such as chambers of commerce, trade unions and professional organisations, under complicated rules based on proportional representation. Finally, from these panels, when complete, the elected members of the new Senate will be chosen by an electoral college, consisting of the members of the Dail and seven members, elected under proportional representation, from each of the county councils and borough councils, making three hundred and fifty-five in all. Each elector will receive a ballot paper containing the names of all the candidates in alphabetical order and will indicate the order of his choice, in accordance with the principle of proportional representation, irrespective of the panels on which the candidates have been nominated. The ballot paper, it seems, will contain the names of about one hundred and forty-eight candidates, so those whose names begin with an early letter of the alphabet will probably have an advantage.

Taken as a whole, this elaborate electoral machinery

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suggests a problem in higher mathematics, and one may legitimately suspect that Mr. de Valera, whose taste for such diversions is notorious, was himself responsible for most of the details. On the other hand the association of the county councils with the electoral college, which the Opposition denounced because it does not suit their political strategy, is much more satisfactory than the former provision under which the defeated candidates for the Dail might have been able to elect a majority of the Senate. The average county councillor has some training in administration and political responsibility, and his personal knowledge of many of the candidates will prevent him from voting a straight party ticket. There is, of course, a certain humour in the spectacle of Mr. de Valera laboriously creating a new Senate to replace the one that he destroyed a year ago because its members were not amenable to his views; some of his back-bench supporters do not quite understand the subtle mental processes responsible for this performance.

It is clear, however, that vocational representation in the Senate will remain an incomplete aspiration until the various vocations are properly organised. For instance, agriculture, the most important vocation in the country, is almost completely unorganised. Quite recently the Irish Agricultural Federation, which is the latest attempt to organise the farmers, announced that it would take no part in politics, but would confine itself to exerting pressure on the politicians and co-operating with agricultural interests in Great Britain. No doubt the power of electing a Senate will eventually impel the various vocations to organise properly, and if this takes place the system of election can be changed to direct vocational representation. On the whole, one may say that the Government have done their best in very difficult circumstances to implement the principles embodied in the constitution. The various electoral processes will not be complete until the end of March, and until then the curtain cannot be rung up for the

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last act—the election of a President—because the members of both Houses of Parliament are entitled to join in the nominations for that exalted office. Under the constitution the presidential functions are at present being discharged by a Commission consisting of the Chief Justice, the President of the High Court and the Speaker of the Dail.

Speaking in the Dail on December 2, Mr. de Valera made what he described as a prophecy with regret. Proportional representation, he said, was passing through a period of trial—a crisis—and had been put into the constitution in order to give it some kind of permanency. One of the things that would make it “unfeasible”, and was causing tremendous difficulty on the Continent, was to have very large constituencies and very large groups. If there was to be proportional representation in an extended sense, then they would have to devise a different type of executive from that which existed to-day. Either they would have to have an executive as in Switzerland or they would have to go back to the single-member constituency. Mr. de Valera apparently had in mind the fact that the Swiss executive Government is composed of representatives of all the principal parties in the State, and that it does not fall if defeated in Parliament. In effect it is therefore a permanent national Government.

No one who realises the safety-valve which proportional representation has provided in this country during the last fifteen years can view with equanimity any proposal for its abolition. Even now, in its very modified form, with a large number of constituencies returning only three members, it secures adequate and fair representation for every considerable political group in the country. Compared with this essential fact, its momentary failure to give Mr. de Valera a clear majority is of relatively small importance, and it is obvious that a single-member constituency system would not accurately reflect the feelings of the electorate. The real alternative, as Mr. de Valera pointed out, is to work proportional representation as

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originally planned, with large constituencies, and at the same time to adopt the Swiss form of executive government with such modifications as might be necessary. The English system of party government, which we have blindly copied, is now out of date in Ireland, and only continues to function effectively in Great Britain through the Englishman's indifference to political forms, his conservative outlook, and his genius for compromise. Under proportional representation the English party system is quite unsuitable. The obvious objections to adopting the Swiss executive system here are the personal animosity that unfortunately divides our two principal parties and the necessity for a strong Government. But if Mr. de Valera could be persuaded to take the patriotic course of quitting the party arena by becoming President, our politics would soon become normal, and an executive Government representing our principal parties, and not liable to lose office if defeated in Parliament, would be in a much stronger position to deal with the extreme element than is the present Government.

III. THE FIRST PRESIDENT

THIS brings us to the problem at present agitating our politicians, namely, who is to be the first President of Eire? Its solution has not been made easier by the publication of the report of the committee on ministerial salaries. It recommends that the new President should receive a salary of £15,000 a year, of which £5,000 would be his personal salary and the balance for staff and entertainment, and that the office should carry a pension of £1,200 a year. Other salaries suggested are £3,000 for the Taoiseach or Prime Minister, £2,500 for the Tanaiste or Vice-Chairman of the Executive Council, £2,250 for other Ministers, £800 for the Leader of the Opposition and £500 for the leader of the next largest party (Labour), with pensions for ex-Ministers ranging from £300 to £500 a

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year according to years of office. This last recommendation, which is retrospective, remedies a crying scandal, as it is notorious that several ex-Ministers, after years of disinterested national service, are now very badly off. It is naturally difficult for the professional politicians to resist the lure of such a glittering presidential salary in a country where surtax payers are almost unknown, and the hope of securing a non-political President has therefore receded into the distance, if it has not altogether expired.

In the course of a sermon in St. Patrick's Cathedral, Armagh, on January 2, Cardinal MacRory, the venerated Catholic Primate of Ireland, made an eloquent plea for agreement regarding the election of the first President. If possible, he said, the President ought to be agreed upon without an election. It would be a very fine thing if this could be done. The President, continued the Cardinal, would be expected to be outside and above all parties; but if he should be the nominee of a party there would always be a danger that he would favour that party. If, on the other hand, an agreed candidate could be found it would be an object lesson in unity and might have far-reaching results. No one can doubt the wisdom and patriotism of following the Cardinal's advice.

As matters stand at present it is still possible that there will be a straight fight between two political candidates—Mr. Sean T. O'Kelly, the Vice-President of the Executive Council and Minister for Local Government, and Alderman Alfred Byrne, T.D., the redoubtable Lord Mayor of Dublin. The Fine Gael and Labour parties might also run candidates of their own in the event of a political contest. In such an event General Sean MacEoin, T.D., whose chief claim to fame is the courage and chivalry he displayed during the Anglo-Irish hostilities, has been mentioned as the Fine Gael candidate. A humorous turn has been added to the situation by the formation of an Irish Monarchist party, who apparently propose to elect a king, but who have not yet disclosed their candidate, though the names of the

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O'Connor Don, descendant of the last High King of Ireland, and Lord Inchiquin, direct descendant of King Brian Boru who vanquished the Danes at Clontarf, have been mentioned. Another possible starter is Count Taaffe, whose ancestors fled to Bohemia in the seventeenth century and whose family gave distinguished service to the defunct Austrian Empire. Having married a Dublin lady, he has recently returned to the home of his ancestors.

There was some talk of an agreement upon a candidate between Mr. Cosgrave and Mr. de Valera, and it was even suggested that a coalition Government was possible, but this was immediately denied. Mr. Cosgrave, in a public statement on December 10, pointed out that the Dail was sharply divided on questions of public policy, such as the land annuities dispute, which in essence arose out of the Government's political point of view and their party's need to masquerade before the country as anti-English. By what magic process, he asked, would a coalition stop this play-acting? He also denied the charge of hampering the Government, declaring that, even if the Opposition agreed to refrain from criticising, it would not make the Government's policy workable. There can be no doubt, however, that there are several public men in Ireland who belong to no party, any one of whom would fill the position of President with dignity and impartiality if the party leaders would agree upon his nomination.

But, when all is said and done, the ideal solution would be the election of Mr. de Valera himself. Alderman Byrne has already announced that if Mr. de Valera were a candidate he personally would not oppose him, and there is good reason to believe that Mr. Cosgrave's party might adopt a similar attitude. Whatever Mr. de Valera's critics may say, few Irishmen would dispute that he has the dignity and prestige required for the office, and his election would fittingly complete his public career. It would, of course, involve his withdrawal from party politics, but this also would be of advantage to the country, because so long

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as he remains in the arena there is little chance of any normal development of our political life.

IV. IRELAND AND GREAT BRITAIN

OUR relations with Great Britain, however, at last show signs of improvement. On January 12 Mr. de Valera surprised the Dail by announcing that arrangements had been made for a meeting between representatives of the two Governments in London on January 17 to discuss outstanding questions which affected the relations between the two countries. Although it had been obvious for some time that such a discussion was overdue, there had been no indication that it was contemplated. This meeting, which was called on Mr. de Valera's initiative, duly took place on January 17 and was continued on the two following days. The Irish Government were represented by Mr. de Valera, Mr. Sean Lemass (Minister for Industry and Commerce), Mr. Sean MacEntee (Minister for Finance) and Dr. James Ryan (Minister for Agriculture), and the British Government by Mr. Neville Chamberlain, Sir John Simon (Chancellor of the Exchequer), Sir Samuel Hoare (Home Secretary) and Mr. Malcolm MacDonald (Dominions Secretary).

On January 19 it was officially announced that, while no agreement had been reached on the questions discussed, these preliminary discussions had proceeded far enough to justify a more detailed examination of a number of points by the officials of both Governments, and that meanwhile any further meeting of the Ministers would be postponed. On his return to Dublin Mr. de Valera stated that as the approach of the two sides to some of the questions raised was from diametrically opposite points it would not be easy to find agreement; he added, however, that they were exploring the whole field and that when the delegations met again they should be in a position to discover quickly whether an agreement was or was not possible. It is

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understood that the principal questions which came under review were the partition of Ireland, the economic relations between the two countries, and questions of defence, and that both sides displayed a readiness to try to understand each other's difficulties and to arrive at a solution. Friendly personal relations were also fortunately established.

In effect, the difficulty is not only one of adjustment by both sides to the realities of the situation, but also the fact that the negotiators are not free agents. Behind Mr. Chamberlain is the sinister shadow of the Orange hooligan, and behind Mr. de Valera the equally sinister shadow of the Republican gunman. These vile reminders of religious cleavage and an evil past unfortunately cannot be exorcised or forgotten. Mr. de Valera, for his part, claims that a united Ireland is the essential foundation for a real understanding between the two countries; Mr. Chamberlain politely replies that he can do nothing without the consent of Northern Ireland; and Lord Craigavon, nothing loath to make political hay while the sun shines, calls a general election. Yet Mr. de Valera would readily admit that he has no desire to coerce Northern Ireland, and Mr. Chamberlain would probably as quickly agree that nothing would please him more than to facilitate Irish reunion. The real truth is that the road to Irish unity—and it is a long one—lies through London and not through Belfast. Every improvement in the relations between Great Britain and Ireland must eventually have its reactions in Ulster.

No thinking Irishman will deny that partition outrages national sentiment, and that it is both extravagant in administration and disastrous for trade and industry. Moreover there is undoubtedly a strong feeling of dissatisfaction in Northern Ireland with Lord Craigavon's Government. Their autocratic rule, extravagance, lack of enterprise and political gerrymandering have disgusted many even of their formerly strongest supporters. But that is by no means the whole story. The average Ulsterman, no matter how much he may criticise his Government, is

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firmly and quite naturally convinced that the acute discomfort of the Craigavon frying pan, to which there is as yet no domestic alternative, is infinitely preferable to the de Valera fire. He is loyal in his own way to the Crown; all his economic interests demand free trade with Great Britain; and he cannot ignore the fact that the Dublin Government has deliberately removed every vestige of the King's authority and pursues a consistent policy of violent economic nationalism. The result of the Northern Ireland election is not therefore in any doubt; for, as Lord Craigavon well knows, one blast on Mr. de Valera's bugle horn is worth ten thousand men to him. Mr. de Valera is in fact the stoutest bulwark of the present Northern Government. Unless he or his successors are prepared to conclude a cordial and comprehensive settlement with Great Britain, this condition of affairs must continue and develop to the serious detriment of both Ireland and England.

The only step that the British Government can usefully take at this moment—and it ought to be taken—is to act as mediator between Ulster and Ireland, and to express, publicly if necessary, its anxiety for some form of reconciliation between the two parts of this country which would at least recognise the juridical unity of all Ireland under the Crown. Such an expression of opinion would involve no breach of faith and might do much good.

In an interview with a *New York Times* representative published on January 27, Mr. de Valera revealed that his plan to deal with the problem of partition was to set up, over the existing Parliaments in Dublin and Belfast, an all-Ireland Parliament, based on proportional representation, which would exercise the reserved powers at present retained by the British Parliament over Northern Ireland. The attitude of the Unionist minority, he said, had prevented good relations between Ireland and Britain in 1914. Were they going to stand in the way again in 1938? It is hardly credible that Mr. de Valera really believes that such a

plan would or could be forcibly imposed on Northern Ireland under existing conditions.

As regards the economic dispute there can be no doubt that a settlement is of vital importance to both countries, and in this direction at least the civil servants may be able to make progress where the politicians fail. Last year the Irish visible adverse trade balance rose to the portentous figure of £21,268,603, which is the highest level recorded since the Irish Free State became a fiscal unit. In a recent penetrating analysis of the trade figures, read before the Irish Statistical Society, Professor Duncan of Trinity College concluded that the net decrease in our foreign assets is approximately equivalent to the visible trade debit. It is significant that the net balance of foreign assets held by the Currency Commission and the joint stock banks declined by some £16,000,000 between December 1932 and December 1936. The latest figures show that it is still declining. If Professor Duncan is right, we are in the position of a man whose expenditure exceeds his income and who is making good the deficit out of a large deposit account. It is a procedure that cannot continue indefinitely. But for the sweepstake receipts, which have helped materially to swell our invisible exports, we should be in a worse plight. As regards the movement of prices, the slight improvement that took place between 1934 and 1936 has been lost again in 1937 through the more rapid rise of import prices than of export prices or internal incomes.

The most remarkable fact of all, however, is that the events of the last ten years, catastrophic as they have been in some respects, have not seriously altered the character of our foreign trade or its relative incidence. During the period 1926-31, on the average 68 per cent. of our imports consisted of industrial goods more or less ready for consumption. In 1936 the proportion had only fallen by five per cent. Moreover the preponderance of live animals and manufactures of food and drink in our exports

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still continues and is fortunately likely to do so. Nor have our imports from Great Britain relatively decreased. In 1926 our imports through or from that country were 65 per cent. of our total imports, and in 1936 the proportion was 66 per cent. It would therefore appear that the stupid economic war—the epithet is that of Mr. Lemass, the Minister for Industry and Commerce—has hardly affected the basic economic relations between the two countries, and that if Great Britain ceased to trade with us our future would be dark indeed.

It is also common knowledge that the economic policy of the Irish Government is not proceeding according to plan. The Insurance Act, passed two years ago, which was to create a complete system of Irish commercial insurance, has never been fully put into force. The industrial alcohol factories, established at great expense, have proved veritable white elephants. Owing to the rise in the cost of living the rate of unemployment relief has had to be increased. How far some of the smaller industries set up in remote parts of the country will ever become paying propositions remains a very doubtful question. Moreover the search for alternative markets has proved a complete failure. During 1937 we imported from countries other than Great Britain and Northern Ireland goods to the value of over £21½ million, whilst they took from us goods to the value of barely £2 million.

We have, in short, learnt in the sad school of experience that whereas we are fully entitled to build up a strongly fortified economic frontier, behind which we may fashion our industrial life as a national unit, our neighbours are equally entitled to erect barriers against the importation of our agricultural produce, the export of which is and must remain the basis of our external trade. We are one of the principal creditor countries in the world and Great Britain is practically our only debtor. The truth is that Great Britain and Ireland are complementary to one another, and their natural necessities are even now prevailing over

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political catchwords. They must eventually compel mutual accommodation.

Nor does the need end in the economic field. If our farmers have need of the British market, and British manufacturers have need of ours, so also we have need of each other in the strategic field. As Mr. Lloyd George pointed out during the debate on the Irish Treaty in December 1921, the security of Great Britain depends on what happens “on this breakwater, this advance post, this front trench of Great Britain”. True then, this is much truer now. Recent developments of air power have made it even more imperative than before that Ireland’s attitude towards the defence of these islands should be clearly defined. The speed and range of modern aircraft make it possible for a hostile European Power to render the English Channel an unsafe approach to Great Britain even if control of the sea were maintained. In such circumstances, approach would be possible only through the Irish Sea or by the Atlantic around the Irish coast. Moreover, it is quite conceivable that the existing repair bases of the British fleet on the south coast of England might become untenable, in which event the fleet would probably be based on Rosyth, Milford Haven, Cork Harbour and Bantry Bay. From these bases the western and southern approaches to Great Britain could be secured by both air and sea, and the risk of air attack on the fleet would be considerably reduced.

It is therefore vital to Great Britain’s security that British forces and ships should be assured of access to the Irish harbours, as provided by the Treaty of 1921, in the event of war with a continental Power. Such access could no doubt be secured by force of arms at a heavy price, but it could not be as effective as an agreed occupation; the proper force to control the surrounding prohibited defence areas would then clearly be the Irish army. Better still would be an agreement making that army fully responsible for the land defences of the Irish coast. But this problem of defence is by no means one-sided. Ireland cannot afford

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to maintain a large military establishment, and the provision of an effective navy is quite impossible.

It is perhaps unfortunate that Mr. de Valera should have chosen this moment to send a Minister to Italy, thus recognising the conquest of Abyssinia and adopting a different policy from that of Great Britain and the other Commonwealth States. But it is well to remember that in this respect he is only following the policy of other small States, and that his action was supported by the Opposition and opposed only by the Labour party in the Dail. He was also careful to point out that his recognition of the Abyssinian conquest was *de facto* and not *de jure*.

As regards defence, however, he has consistently proclaimed his willingness to co-operate in a policy that would safeguard Great Britain against foreign attack and prevent any hostile Power from using Ireland for military or naval purposes. He has always recognised that this must be a cardinal and essential point of British policy. Speaking in the Dail, on June 18, 1936, he went so far as to state that even if Great Britain were declared an aggressor by the League of Nations his Government would not attempt to apply sanctions against her, and he argued that a planned system of mutual defence was vital to both Great Britain and Ireland. But he added that this could only be achieved if the unity and independence of Ireland were recognised and the British garrisons withdrawn from the occupied Irish ports. It would nevertheless be very foolish to believe that agreement on this matter will be easy. Already the extreme republican element is on the warpath against a settlement, and Miss Mary MacSwiney, one of their leading spirits, in a furious letter to the press, claims that the London negotiations are a frantic effort on the part of the British Government to secure a quiescent or actively friendly Ireland and Irish conscripts in the next war. She also denounces any compromise on the question of an Irish republic as treason. Yet geography is as inexorable as

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history, and common risks and aims command collaboration between the two countries.

The time is therefore ripe for a new treaty between Great Britain and Ireland, based on a recognition of their mutual economic interests and a common policy in defence and foreign affairs. Remission of the disputed land annuities might well balance an Irish financial contribution to the defence of these islands and an agreement to permit the British navy to use our harbours in time of war. Such a treaty only requires on the British side a frank admission of the equality and independence of the Irish State and an expression of the desire for Irish unity, and on the Irish side a refusal to allow ancient and barren hatreds to poison the wells of truth and common-sense.

Ireland,
February 1938.

THE BOMBING MENACE AND A WAY OUT

By a Correspondent

I. A SPECIFIC MENACE

ON February 2, in response to a Labour intervention in the House of Commons, the Foreign Secretary disclosed that the Government had set on foot an expert enquiry with a view to reopening with other Powers the question of a general international agreement to prevent or restrict the air bombardment of the civil population. This move will be applauded and supported by all men of good will. But, as the first reactions in other countries have shown, formidable obstacles have to be met. Indeed, it may be doubted whether the concept of a universal agreement of the kind proposed is sound as the basis of an initial practical effort. For it repeats an assumption whose falsity has been at the root of previous disappointments in the same field.

The assumption is that the menace of the air is a general menace, with no specific point or points of origin, or, at least, none acknowledged explicitly—a dehumanised menace of the same order as cholera or bubonic plague or any other natural calamity. That it is a menace specifically localised in its source, that there are only a few danger spots, a few definite quarters from which it looms, that the measures necessary to cope with it are not general but particular and specialised measures: these things may be fairly well understood by all intelligent people, but the understanding has not yet been reflected in international action.

A SPECIFIC MENACE

The problem was approached at Geneva between 1932 and 1934 as a general one. It was discussed by the representatives of sixty States. The discussion came to nothing. That was not surprising. The multiplicity of cooks spoilt what might have been a palatable broth.

The idea that it was the British reservation in favour of bombing “for police purposes in certain outlying regions” which led to the failure to prohibit bombing altogether has been sedulously fostered, but is unsustainable. The British Government was ready to withdraw the proviso if it proved an obstacle to agreement. An announcement to that effect was made by Mr. Eden in the House of Commons on July 5, 1933. Two years later, on July 11, 1935, he pointed out that only four hours’ time in three years’ work at Geneva was taken up by this particular question. “The truth is”, he said, “that that reservation never had the smallest international significance”.

The problem simply did not lend itself to treatment by way of international mass meeting; nor is it likely to do so now. It is an individual, a particular problem, not a general one. That this is so will be apparent from some quite recent history.

We, in Great Britain, have been inferior in air strength, including bombing strength, to a number of other Powers from 1920 onwards. In November 1927, for instance, France had nearly twice as many first-line aircraft—1,350 to our 750. In February 1934 she had slightly increased her superiority, having 1,650 machines to our 850.* Yet we did not worry particularly.

Our outlook changed, however, in the autumn of 1934, when it became known that Germany was beginning to rearm in the air. “His Majesty’s Government”, said Mr. Baldwin in the House of Commons on November 28,

* The corresponding figures at the close of 1937 were approximately 2,100 French and 2,030 British first-line aircraft, 1,542 of the latter being the metropolitan air force. Germany, according to an estimate in the technical journal, *Interavia*, had 1,900 first-line aircraft in October 1937.

THE BOMBING MENACE AND A WAY OUT

1934, "are determined in no conditions to accept any position of inferiority in regard to what air force may be raised by Germany in the future". Yet we had lost no sleep when France and some other countries were far superior to us. Could the truth that the air menace is a particular menace be more clearly admitted?

When, in March 1935, Herr Hitler made his famous declaration that Germany had already reached parity with us in the air, the air menace for us suddenly assumed bodily shape and form. We took up the challenge. We began to rearm in the air, and to organise measures of passive anti-aircraft protection. We rearmed and organised for defence. Our purpose was to safeguard our homeland from air attack, and from air attack directed from one well-defined quarter. True, that purpose might have to be attained by counter-attacking the quarter in question, but still the purpose would have been defence. We wanted, in short, to ensure that a particular neighbour kept his bombers at home, so far as we were concerned.

We sought to meet the menace by the appropriate counter-measures to Germany's measures, that is, by intensive rearming in the air, and especially in the building of bombing machines. This meant adopting what may be called the war method of dealing with the situation, as contrasted with the peace method that we and other Powers had been pursuing at Geneva for three years. In doing so we profited by our war experience in the technique of national defence. The war method that we adopted was in fact the win-the-war system of 1914-18, brought up to date.

That system embraced the work in the field and the work in the factories. This country, like other countries, became a hive of war industry. Everything was subordinated to the need for producing armaments in vast quantities and in the minimum of time. Factories and plants were run up, like American cities, almost overnight, or were diverted from making plough-shares to

A SPECIFIC MENACE

making swords, from turning out pianos, motor-cars and what-not to turning out armaments. The whole country's productive capacity was subjected to a win-the-war régime. With the hour, too, came the man whom the hour needed. There emerged the win-the-war Minister, tireless, ruthless, riding rough-shod over weaker brethren. Round him he collected win-the-war business magnates, men of his own kidney, hard-headed men, totalitarian in spirit as he. Between them all they hustled the nation into lethal activity. They delivered the goods. Their achievement was the more remarkable because it was accomplished in the face of the handicap imposed by current warlike operations, air raids, and so on.

Modern technique can improve on the methods of 1914-18. Then, the productive part of the win-the-war process went on simultaneously with the other and grimmer part, the fighting in the field. The innovation is the separation of the two parts. We have learnt that they need not be concurrent, that the first can be put in operation in peace. The machinery devised and, so to speak, kept in cold storage for war can be taken out and set in motion long before zero hour.

There is nothing new in this development, of course, in so far as it reproduces, though on a greater scale, the preparations for war that have always been common. What is novel is the diversion of industry, in peace-time, from civil to military activity, in accordance with plans conceived in relation to a war emergency. The reserves of war production are mobilised in advance of the reserves of war personnel. War begins in the workshops before it begins in the field.

The heart of this competition in industrial effort is a bid to call your competitor's bluff. Of course he may not be bluffed. He may decide to go on and risk a gambler's throw. Then, your mass-produced squadrons come into play. By their use you teach him that two can play the game. You give as much as or more than you get. You

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show him that the bomb is a boomerang. Your hope is that before long he will learn that his best policy is to keep his bombers at home. *In hypothesis* you are willing to keep yours at home, for your object is defence.

Now, if by the way of tribulation he and you arrive at a position in which you are both willing to keep your bombers at home, you are exactly where you would be if you agreed to do so in the first instance without all that pother. You have reached by a roundabout and very costly way the very point at which the peace method starts.

The adoption of the war method of dealing with the menace can be justified only if it is regarded as a means to an end. War is the greatest enemy of the freedom that we arm to defend. The end is the creation of conditions in which the adoption of the peace method becomes possible—though that does not mean in the least that thereafter all air defences can be scrapped. The peace method is clearly the method that should commend itself to a State that had testified to its belief in the limitation of armaments and (*inter alia*) the prohibition or regulation of bombing by international agreement, to the extent of disarming to the edge of risk in order to further the attainment of those objects. For such a State, rearmament is obviously necessary and fully justified; but it must be a regrettable necessity, a dark path to be trodden in the hope that at the end lies, not war, but a settlement.

That, indeed, is true of any and every kind of rearmament in countries that do not make a fetish of war. It is especially true of air armament. Here, more than in the other spheres of defence, it should be apparent to the man in the street that the rearming, though it may include preparations for offensive action, is most fully justified when it all leads to nothing; for nothing is an admirable result when the alternative is the penetrating raid. The most perfect defence cannot guarantee absolute protection against air attack. There can be no line of impregnable battlements

ACTIVE AND PASSIVE DEFENCE

in the clouds. Interceptor squadrons cannot be the same sure shield that battleships are at sea. The preparations, however costly, which are made to meet possible air aggression may be most successful where they seem to be nugatory.

II. ACTIVE AND PASSIVE DEFENCE

LOGICALLY, a bilateral agreement with Germany for the total prohibition, or, failing that, the restriction of air bombardment, should be the end of our present intensive rearming. It is doubtful, however, whether we are as yet in a position to negotiate with that country on such terms.

We are more vulnerable than Germany. We present in south-east England a target which is more open to air attack from Germany than is any similarly important region in Germany to attack from this country. Our first need, therefore, before we can strike a bargain on even terms, is so to organise our anti-aircraft defences, including the preparedness of the civil population, as to make it evident that we are fully able to protect ourselves in any event.*

A great effort in this direction is now being made, though in many respects we are woefully behindhand. It is open to question, moreover, whether due perspective has been maintained in attending to the various aspects of anti-air-raid defence. Indeed, Lord Trenchard has raised the question whether too much attention was not being paid to precautions against gas attack. There was, he suggested, a far greater danger of panic and material damage from high-explosive and incendiary bombs. That, too, is substantially the conclusion of Dr. Hyde and Mr. Nuttall in their book, *Air Defence and the Civil Population*.

That is not to say that the time and effort devoted to gas-proofing and similar work have been mis-spent.

* See the article on *The Air and the Citizen*, above, p. 217.

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Everything depends on the circumstances. Precautions that may be of little use where a high degree of concentration of gas is present may be fully adequate against mild gas attacks. It does not follow, obviously, that because measures are not effective in one locality they will be valueless in another. May it not prove, however, unduly pessimistic to assume that the Geneva Gas Protocol of June 1925, to which Great Britain and Germany are parties and which bans the use of poison gas, will be a dead letter?

The dispersion of armament factories and the organisation of alternative channels of transport and communication are other means of minimising the disastrous consequences of a successful raid on focal points or other important objectives. Whether all the arrangements made in this connection are beyond criticism is, it must be confessed, open to some doubt. Mr. Richard Acland drew attention in the House of Commons on December 6, 1936, to the concentration at Coventry of four of the shadow aero-engine factories, a successful raid on which might therefore have far-reaching consequences. The reply, that the shadow-factories must be near the motor firms which managed them, was hardly convincing. Again, on November 16, 1937, Mr. Oliver Simmonds characterised as inconceivable folly, in the light of the air menace, the siting at Birmingham of the Austin shadow factory with its 17½ acres under one roof. "If that factory had been built in Germany", he said, "it would have consisted of about 50 buildings, 100 yards apart, each with its own air-raid shelter".

Our main defence may yet prove to be the bomber. We must be able not only to protect ourselves, but also to hit back, and to hit back harder, if possible, than the enemy can hit us. That this is recognised by the Government is evident from the fact that the bomber squadrons in our home defence force number 68 as compared with only 30 fighter squadrons. The quality is good. Our

A BAN ON BOMBING

Battles, Blenheims, Wellesleys, Harrows, and Wellingtons, and their probable replacements, should not fear comparison with anything which Germany can produce. We beat Germany to the wall in engine power in 1917-18. We can do so again.

We are, however, undoubtedly still far from being able to strike an equal bargain if comparative vulnerability is to be taken as the basis of approach. Our means of defence, passive and active, must all be improved. We must not let our aircraft production lag behind schedule. That it does lag behind, there is little room for doubt. We are still further behind in the field of passive protection. Until we are in a stronger defensive position we cannot expect to strike a favourable bargain with a Power organised to the last man in protective measures, and geographically less vulnerable than we are.

III. A BAN ON BOMBING

SUPPOSE we attain, or bid fair to attain, a position of parity in defence and counter-attack. What should be the scope of the desired settlement?

A bilateral agreement to prohibit bombing altogether would *prima facie* be the answer. It would be open, however, to the objection that the result would be to release for use on other fronts the bombing strength which Germany would otherwise have thrown against us; and through our guarantees to France and Belgium—leaving aside any broader commitments or interests—we are intimately concerned in the fate of those fronts. Germany would be free, for instance, to turn her full bombing power against France, assuming France to be our ally. That difficulty could be overcome if France were also a party to the agreement to ban bombing. But for France precisely the same problem would arise in relation to her eastern commitments. Clearly some arrangement embracing all Germany's neighbours would be necessary if

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Czechoslovakia or Poland were not to suffer as a result of any western pact of the kind.

Alternatively, the ban on bombing might be combined with a measure of proportional air disarmament that would leave the margin of each participating country's strength available for other employment approximately as it was before. If, for instance, Germany's total bombing force were reduced by the proportion that otherwise would have been at her disposal for use against us, no surplus would be released for use against other Powers. The Anglo-German naval agreement of June 1935 might serve as a precedent, in principle at least, for a corresponding bilateral agreement for the limitation of air establishments.

If neither of these proposals proved to be practicable, and if all that were attainable were an agreement confined to bombing, we should have, it seems, to rest content with some less ambitious scheme than complete prohibition. The possibility of some arrangement based on the differentiation of objectives might then be explored. It would leave legitimate objectives still liable to bombardment in a belligerent's territory and would not, therefore, be open to the objection that it would turn the weight of the enemy's attack upon the former's allies.

What are the legitimate objectives of air attack? They were defined in the draft rules of air warfare which were prepared by a commission of jurists, representing Great Britain, the United States, France, Italy, Japan and the Netherlands, at The Hague in 1922-23, but which have never been incorporated in an international convention.

Article 24 of the draft rules forbade aerial bombardment unless it were directed at a military objective, which it defined as :

Military forces; military works; military establishments or depôts; factories constituting important and well-known centres engaged in the manufacture of arms, ammunition or distinctively military supplies; lines of communication or transportation used for military purposes.

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Now, it would obviously be unwise to assume that these would be the only objectives actually to be attacked in a future war. Commercial docks and harbours are also probable targets; so, too, is merchant shipping. They would hardly be spared by a belligerent who saw his own sea-borne commerce brought to a standstill, his own docks and harbours idle, as the result of the strangle-hold of an enemy's blockade. Railway junctions and terminals, even if not used for military purposes, would also be an obvious objective.

Whether, in addition, urban centres would be attacked for the express purpose of terrorising the civilian population and affecting their morale is perhaps open to question. Attacks for such a purpose were specifically prohibited by the draft air warfare rules quoted above. They would be bad propaganda for the Government that authorised them. Public opinion throughout the world would be shocked. If, in addition, the subjects of a strong neutral Power, such as the United States, were killed in a raid that was palpably unjustified on any direct military grounds, a high price might have to be paid by the State responsible. The maritime events that drew the United States into the ring of Germany's enemies in April 1917 may have their counterpart some day in the air; and that possibility should be a deterrent influence against indiscriminate air bombardment.

The blow at morale, the attempt to terrorise, would more probably be seen as an incident of attacks that were *prima facie* permitted by the rule of the military objective. Such objectives cannot be bombed in centres of population without resultant loss of life and property in the vicinity. Indeed, in "pattern" bombing there must always be a substantial proportion of mis-hits, and mis-hits in a town mean slaughter. The magnitude of the slaughter varies with the circumstances. It is the greater, naturally, when the town attacked is outside the theatre of operations, and its inhabitants are going about their daily lives in

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homes, offices, factories and streets. The circumstances there are essentially different from those of a town close to the front, from which most civilians would probably have been evacuated.

The commission of jurists already referred to proposed that the bombardment of cities, towns, villages, dwellings or buildings *not in the immediate neighbourhood of the operations of land forces* should be prohibited. Where (it was proposed) military objectives were so situated that they could not be bombed without the indiscriminate bombardment of the civil population, the aircraft must abstain from bombardment. This provision was meant to be a protection for civil populations behind the front, but it makes the decision whether to bomb or to abstain too subjective and uncertain. The effect, moreover, would be to accord sanctuary in many instances to military objectives (for instance, munition factories) behind the lines. Where military interest clashes with humanitarian interest, too many examples show which is likely to be served first in war-time. A possible line of escape would be a mutual undertaking not to maintain military objectives, such as aircraft factories or munition works, within prescribed zones containing heavy concentrations of civil population.

No rule of warfare is without objections, or incapable of evasion. The Red Cross rules have not proved so, yet we do not therefore abandon them. It is not even simple to define "the immediate neighbourhood of the operations of land forces", if the 1923 formula were adopted. But what has been suggested here might serve at least as the starting-point for discussion and possible settlement of the air-bombing question as far as Great Britain and Germany are concerned. The difficulties in the way are not insuperable if the parties do not want them to be insuperable. We can only proceed cautiously, and, to begin with, bilaterally. The idea that everything must be done at once, that a settlement must be comprehensive,

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is largely to blame for the failure to do anything at all. It is all too likely to prove the stumbling block in the way of the British Government's latest efforts.

But would a settlement of this particular question be of any use? Would a restrictive rule, a self-denying ordinance of the kind suggested be observed in practice? Would it be worth anything? That it might be disregarded by a hard-driven nation whose back was to the wall does not condemn it. Its mutual advantage in all normal circumstances would be apparent. Its effect in reducing the magnitude of the most terrible menace that threatens civilisation should commend it to all nations of good will. It would be in the air a charter of protection for non-combatants parallel to the submarine rules at sea. It has not been thought waste of time and paper to make those rules. Why should corresponding rules for the air be hopeless from the first? No nation that adopted them need neglect its material defence in the air or on the ground.

The gist of the problem may be summed up in a few sentences. The air menace is a particular and localised, not a general, evil; hence any agreement to mitigate it should be on a bilateral rather than a general basis. Before that treatment is applied, however, the States concerned should be more or less on a footing of equality. For a State that has neglected its air defences and is geographically more vulnerable than the menacing State, the first thing necessary, therefore, is a campaign of intensive rearming and other defensive measures. But the end of those measures should be a negotiated agreement to prohibit or to restrict air bombing. The danger that an agreement prohibiting air bombing might enable the menacing State to mass greater air strength against other States would be obviated either if the agreement provided for a measure of proportional disarmament, or if parallel agreements were made between the other States in question and the menacing State. An agreement to restrict,

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not to prohibit, bombing might be easier to attain, and would not react adversely on the other States. Such an agreement might be based, with some variation, on a draft rule proposed by the commission of jurists at The Hague in 1923. Air armaments and air defences would still be necessary as a reinsurance. No scheme could be watertight, but the effort would be well worth making.

NEW TRENDS IN INDIA

I. A CHANGED OUTLOOK

INDIAN political thinking has undergone a notable transformation in recent weeks. The change is directly traceable to the acceptance of ministerial office by the Indian National Congress, and indirectly to the inherent merits of the reforms; for it has now been proved beyond doubt that wide and real powers have been transferred. Additional factors have been a deepening appreciation of the sinister activities of totalitarian States in Europe and the Far East, and a vague apprehension that in future world developments India may still be regarded as a conqueror's prize.

Public opinion has slowly but firmly advanced in favour of the reforms. While no one admits that the new constitution meets Indian aspirations, nearly all are impressed with the reality of provincial autonomy. Indian Ministers now recognise that they themselves are responsible for "law and order", that fateful phrase which has meant so much in recent Indian experience and has hitherto been generally regarded as an inseparable adjunct of an alien bureaucracy. Responsibilities of office have brought home to Congress men that the maintenance of law and order is essential under any Government, whatever its political complexion may be. In Madras, the United Provinces, and elsewhere, the Congress Ministries have clearly indicated their intention to enforce the law against the preaching of violence and communal incitement; and the measure of this advance in Indian thinking is emphasised by the action of the upper hierarchy of the Congress organisation in pointing out that Ministers must inevitably uphold the

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law. This constitutional rôle is something entirely new for the Congress party, and the result proves the rightness of the decision which resulted in the transfer of law and order to responsible Indian Governments.

The Viceroy, Lord Linlithgow, recently remarked in an address at Calcutta that the practical experience of provincial autonomy during the past few months had already manifested its great possibilities. He contended that the working of the scheme had shown the sincerity of the British anxiety to further the development of democratic institutions in India, and the readiness of the provincial Governors and of the services to lend all the assistance in their power to the new Ministries. That the Governor and the services have fully collaborated with the Ministry is admitted, notwithstanding the difficulties that formerly characterised relations between the British authorities and the Congress party. Some Congress Ministers have less praise for subordinate officials, claiming that they show no enthusiasm for the new Governments; but in the main the change-over from bureaucracy to popular government has been made with great smoothness. Far-reaching political repercussions there have been, but not enough has been made of the fact that the control of territory in some cases larger than European countries, has changed hands with complete tranquillity.

It would, however, be unwise to minimise the difficulties that lie ahead. Many serious and some dangerous problems await solution. Under the new régime, old problems have been presented in a fresh guise. Communalism is intensified, agrarian discontent and labor agitation are growing. Extremists and socialists are tending more and more towards communism; moderates are becoming more conservative; the divisions within the Congress party are becoming more acute, and Left-wing elements would probably enter the political field on their own account if Pandit Jawaharlal Nehru were prepared to abandon his allegiance to Mahatma Gandhi, which is not

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likely. In recent years the Congress party has maintained a fluid homogeneity, chiefly because it has been the main medium for the expression of nationalism and theories of political liberty. The unity of the organisation has always surprised the outside observer, who failed to understand how industrialists and peasants, millowners and socialists, illiterates and intellectuals, communists and conservatives, could sink their individual political and economic differences in the interests of the broader cause of constitutional freedom. To some extent the grant of provincial autonomy has begun the work of disintegrating the Congress party along economic lines, although no one at this stage would predict that its existing unity will not be artificially upheld for some years to come. But the new tendencies are significant as indicating that in India, as elsewhere in the world, economic causes will ultimately create political parties.

II. PEASANT UNREST

IT is now fairly clear that the great political party of the future will be the one that unifies the peasants and sets them on the long road that leads to their economic emancipation. The leaders of such a party will have no easy task, as Congress leaders are already beginning to see. While in the past the extremists have simplified the agrarian problem as meaning simply the disgorging of privileges by vested interests, they have already found out under provincial autonomy that agricultural revenue is the virtual basis of Indian economics and that the existing system is extremely difficult to alter. Short of a revolution, which would leave the ultimate status of the peasants worse than it now is, the best that can at present be done is to readjust rents and revenue, making their incidence less heavy on those who now suffer most. That is what is being done by the Congress Ministries, who promised to do much more. But the realities of office have proved

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conclusively to Congress men that in the sphere of economics much of what they preached while roaming the political wilderness is wholly impracticable, and it is to their credit that on many points they are now harmonising their policies to actual conditions.

The most significant development since the inauguration of provincial autonomy has been the growth of the *kisan* (peasant) movement. Years of political propaganda, carried out chiefly by the Congress party, have led the peasants to believe that remarkable economic changes would automatically come about when the party assumed administrative power. The party has accepted office, and the status of the agriculturists is largely unaffected. This has naturally led to questionings among the peasants, and has even brought them into the political limelight in a manner wholly new for India.

The claim is frequently made that the reforms have had no influence upon the peasant mind, but it is also true that Congress thinking is now stronger in the villages than it has ever been. The political education of the peasants, however, has been undertaken almost entirely by those who hold extreme economic theories. Marches of peasants upon Nagpur and Patna may have been inspired by ill-digested political theory, but Congress leaders to-day recognise that these demonstrations have both a political and an economic significance. Congress Ministers and such leaders as Pandit Nehru have been forced to respond to the overtures of the peasants, who have assembled in thousands in village areas to press their grievances. It was only natural that they should present their problems to those who have long promised to solve them.

That they have serious economic grievances is universally admitted, but their redress is no easy task. In Bihar a compromise has been reached between landlord and tenant; in the Central Provinces a permanent reduction in land revenue has already been effected; but in the United Provinces, where the problem is most acute, the

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best that can be done at this stage is to examine the problem with a view to eradicating the more serious grievances.

It remains to be seen whether the patience of the peasants will await an evolutionary process of reform. It would be no revolution against the Congress attitude if the peasants demanded far-reaching rights immediately; Congress spokesmen foolishly promised them in the days when they held no responsibility. Liberals and Moderates, including many of the more reasonable *zamindars* (landowners), agree that readjustments in rent and revenue are necessary, and doubtless the solution of the problem lies that way. But extremer elements continue to stir up the peasants, who in any event believe that more ought to be done for them by the party which promised to do it. Their movement, the *Kisan Sabha*, is growing in strength and importance, and is embarrassing the Congress party, particularly in Bihar. The fact that some of the peasant organisers are Congress men does not lessen the political disunity of the Congress party, and the Working Committee has clearly stated the need for disciplinary action against party members whose activities run counter to the authoritative policy of the Congress Ministers. That policy has naturally been modified since the party took office. Expropriation as a solution for the agrarian problem is no longer in the official vocabulary of the party leaders; they talk to-day of compensation, but admit that it cannot be put into effect without extreme difficulty.

The Congress Ministries have clearly declared their intention to tackle the problem. While there are many obstacles to direct relief in the form of reductions in rent and revenue, the hope is expressed that indirect methods may aid the cultivators by enabling them to get the most out of their land. This constructive policy lacks those spectacular features which are normally expected from Congress activities. It is a slow process in India to entice the peasant to use better seed, to improve his livestock, and to co-operate in the cultivation of small holdings—

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these being among the proposals of Congress Ministries. The cry for reduced rent may not be appeased by better marketing conditions and easier agricultural finance. But such developments, along with moderate adjustments of revenue and rent which will neither hinder the industry nor embarrass the land-owner, are about the only immediate means that can be devised to help the cultivators.

III. PROVINCIAL PROGRESS

THE general attitude towards the working of provincial autonomy is that the Ministers are seriously endeavouring to serve the people and are honestly seeking to do so within the terms of the constitution. Some cynics now point out that the Congress leaders appear to have abandoned their intention to "wreck" the Act, although it would be unwise to assume that Congress thinking in any way accepts the present constitution as a final solution of the Indian problem. While some Ministers state that their inability to do more for the people is mainly due to the limitations of the Act, the argument hardly holds water. It is a fact that financial limitations hinder Ministers from fulfilling their electoral promises, but the money available now is not less than it has been in the past, and it shows signs of expanding in the future.

It is, however, conceded that the Congress Ministers in particular face exceptional difficulties, many of them the creation of the Congress movement itself. They are now paying for the years of barren opposition in which their party indulged. Not only are the Ministers embarrassed by their own propagandist record; they are hampered by a lack of administrative experience as the result of their refusing to accept responsibility under the earlier reforms. It is one of the tragedies of Indian political life to-day that Liberals, Moderates, and others well versed in administration and government were ruthlessly discarded by the electors in favour of men whose main contribution to

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politics had been the preaching of negative doctrines. Thus, while Congress Ministers are anxiously striving to make headway against their own past, the atmosphere in which they work is over-charged with political tension.

This is especially true of the United Provinces, where agrarian unrest, labour discontent and peculiar economic conditions aggravate the complexities of administration. The view has long been held that the success or failure of the reforms in the United Provinces will spell their success or failure in the country as a whole. The region is the home of intellectual revolutionaries, who have been active in recent years in promulgating the communist theory. While the Ministry is regarded as inclining to the Right in Congress politics, it is understood to be subjected to much pressure from the Left. It is clear, however, that since his party accepted office even Pandit Nehru has modified his views. While he thinks that the economic revolution in which he believes must inevitably come, he is apparently prepared at this stage to confine his energies to seeing that the peasants do not relapse into the torpor from which they have been aroused, mainly by the Congress party. But lesser agents of the party take no such realistic view, and are greatly embarrassing the Ministry by their activities among the peasants and the industrial workers of Cawnpore. While much of what they preach had, not long ago, the stamp of approval from the Congress party, their policies to-day make the task of the Ministers extremely difficult.

Added to these propagandists are a group of men, recently released from prison by the Congress Ministers, who have stumped the countryside urging violence and generally disturbing the placid lives of the people. The Ministry has been forced to make it clear that action will be taken against such agitators, and this has come as a severe blow to those who believed that subversive propaganda could be carried out with impunity under the Congress Government.

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The provincial Ministry is sincerely endeavouring to give effect to its election promises, but the complexity of the economic problem may frustrate efforts to fulfil with moderation the high hopes that political extremists have conjured up. On taking office the Ministry decided to meet its pledges to the peasants by suspending arrears of rent. This was construed by the peasants as implying that they need pay no more rent, an understandable assumption by an illiterate body of men who had, in the past, been encouraged to support movements in favour of non-payment of rent and revenue. An ironic situation thus arose in which Congress leaders who had in the old days openly favoured non-payment of rent were obliged to face the people and appeal for rent payments. The Ministers informed the public that they worked under limitations, asked for time to redress the economic grievances of the province, and urged the peasants to observe the existing laws until they could be modified by the Congress party.

The task of the Ministry is further complicated by the activities of reactionary individuals who preach class hatred and encourage communal tension, both in the towns and in the countryside. The belief is held by Ministers that with the increase in strength of the Congress party new and undesirable elements have crept into the organisation and are urging violent methods within a movement which has long prided itself on its non-violent policy.

Similar problems face the Congress Ministries in other provinces. The general tendency has been to move with caution, as the majority of Ministers belong to the less extreme school of political thought. In the North West Frontier Province, the Ministry is distinctive in that it consists of Congress Moslems. While showing nothing of the intellectual approach to politics that marks the attitude of the Hindu Congress men, the Moslems of the frontier have a keen regard for the traditional characteristics of their people. Thus Congress policy is likely to

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be implemented with a genuine regard for frontier conditions.

In the Central Provinces, the agrarian problem is much less acute. While the Ministers have already announced a permanent reduction in land revenue to the benefit of many cultivators, their approach to the land question is one of cautious reform. In Bihar the peasants have shown even greater vigour in pressing their demands than elsewhere, and their activities have greatly embarrassed the Ministry, as well as the Congress organisation as a whole. But a tactful Governor and moderately inclined Ministers are believed to be handling the problem with wisdom. In the Punjab, where the Congress writ does not run, conditions are settling into an administrative routine, although communal tension gives cause for great anxiety. The intensification of communalism is everywhere apparent, and although an agreement between the main communities is insistently demanded there is no indication that it will be accomplished.

IV. LIBERALISM AND EXTREMISM

AS a whole, the provincial picture may be regarded with satisfaction. If Ministers can secure adequate financial assistance from the central government there is every indication that they will settle down to constructive administrative policies. Political extremism, rife in so many parts of the country, is being toned down among those now wielding authority, although there is still a tendency for the press to treat political opponents with intolerance. This was reflected during the annual convention of the All-India Liberal Federation, when much abuse was poured on an organisation that has played a significant part in the constitutional evolution of the country.

It is clear that something akin to jealousy inspires these Congress attacks on Liberals, for it is widely recognised

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that the Liberal party contains much talent. True to the traditions of liberalism, these leaders themselves show no intolerant spirit. They have the courage of their convictions and support many unpopular causes on grounds of principle. At a time when Congress men are urging rejection of the federal aspect of the constitution, Liberals have clearly set their face against wrecking tactics. They claim that federation, like provincial autonomy, should be utilised to the fullest advantage. They recognise that "this method has the further commendation in its favour that it will be more easy to persuade the British Parliament to make amendments of the Act than if a destructive policy were attempted".

Among recent visitors to the country has been Lord Lothian, who has enquired widely into the functioning of the new Ministries. His sympathetic attitude to the whole Indian problem is everywhere accepted, and more than casual interest was taken in his numerous conversations with Pandit Nehru and Mahatma Gandhi. While some Indian commentators have been inclined to give more significance to the visit than was possibly imagined by Lord Lothian himself, it is patent enough that his discussions with leaders of all political persuasions have had beneficial influences.

The future intentions of the Congress party have been greatly obscured by the acceptance of responsibility. While the ultimate goal of national independence remains the same, uncertainty now exists regarding the best means of achieving it. The conflict has been changed from one between Indians and the British authorities into one between the conflicting elements within the Congress party itself. The socialists and communists seek sanction for their activities by deepening their hold upon the masses, but the Right-wing sections of the party appear to think that power should continue to vest in the middle-class elements, buttressed by capitalist support.

In effect, the struggle is now between a Congress party

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composed of vested interests and a Congress party of peasants and workers. The final objective of both groups is much the same. The extremists would like to quicken the pace to their goal, while the moderate sections, headed by Mahatma Gandhi, are willing at this stage to do what they can to improve the lot of the people while keeping the party as a whole representative of all those who subscribe to nationalism. Pandit Nehru is in a peculiar position, having accommodated his theories for the time being to the constitutional situation, although he still aims at securing greater unity among the masses for developing the struggle against "imperialism".

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INDIANS are now, however, distinguishing between the different forms of imperialism apparent in the world to-day. They are closely watching developments in the Near East and in Europe, and are extremely apprehensive of the attitudes shown by Japan and Italy. Recent events in Abyssinia, China, and Spain have convinced thinking Indians that there is something worse in the world than British imperialism as they know it. Their attitude towards totalitarian States is one of downright condemnation. The Indian-owned press is severe in its criticisms of Japan and Italy, whose aggressive ambition has tended to introduce a new perspective on the character of imperialism, old and new.

There is widespread sympathy for the plight of the Chinese, as there was for that of the Abyssinians. In the Spanish conflict, sympathies are entirely with the Government forces. It is true that Indian demonstrations show scant regard for imperialism in any form, and the criticism is still heard that the democratic countries have themselves exploited subject peoples in exactly the same manner as such peoples are now being exploited by the totalitarian States.

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On the Palestine issue, Indian opinion is entirely on the side of the Arabs, and is certainly opposed to the idea of partition, which is claimed to be no solution for the problem. Those who think deeply maintain that the conflict is not so much between opposing races as between different cultures and between conflicting economic interests. It is admitted that the position of Great Britain, as the mandatory Power, is extremely unenviable, and Italy's interest in Palestine developments has been noted with some anxiety. Indian opinion is therefore likely to emerge on the side of any satisfactory compromise that upholds the nationality and the rights of the Arabs.

The seriousness of the international situation has, to some extent, moderated the general hostility towards Great Britain that has been created in recent years by political agitation. While the democratic Powers are accused of hypocrisy, there is also an inclination to admit that the imperialism of former days differs from the imperialism embodied in the British Commonwealth to-day, with its loose affiliations among a number of democratic States. The unfortunate conditions that have developed since the world war are slowly convincing many Indians that power still counts for something in the world, and that it is British power that will be finally responsible for keeping their country inviolate. Political relations, as well as the general welfare of India, would be greatly improved if public leaders openly recognised the need for maintaining Indian collaboration with Great Britain.

India,

January 1938.

GREAT BRITAIN

I. REARMAMENT

THIS quarter has not been a period of great events on the home front in Great Britain. The parliamentary recess at Christmas left the Government's principal new measures in suspense, with the important exception of the Air Raids Precautions Act,* which is now law; and political thought in general has been focused more on the long-term problems of foreign policy and economic stability than on day-to-day issues. Lord Halifax's visit to Berlin aroused deep interest—in some quarters, no doubt, undue hopes and in others undue apprehension. There is a widespread desire, which cuts across parties, to find a means of living in peace and friendliness with our great and formidable neighbour, but any plan of accommodation that involved sacrificing the interests or security of the smaller countries of Europe would be offensive to a great mass of British opinion.

The idea that in the present state of relative weakness, both of the collective system and of national and imperial defence, British diplomacy must "go slow" while British rearmament goes as fast as it can is manifestly gaining ground. British opinion recognises that international relations throughout the world are passing through a precarious period of readjustment, which may gradually give way to a new phase of relaxed tension if we are alert and strong, but in which grandiose schemes either of League of Nations reform or of settlement with the claimant Powers are almost certainly premature.

* See THE ROUND TABLE, No. 109, December 1937, p. 155; see also above, p. 220.

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The general anxiety for thorough-going reform of our defensive system has been exposed on more than one occasion. The changes in the higher army command announced on December 2 were applauded everywhere, not because the public failed to appreciate the ability and patriotism of the distinguished officers whose resignation made the changes possible, but because the incident was regarded as the first signal of a radical effort to adjust the character and organisation of the army to modern requirements. Lieut.-General Viscount Gort replaced Field-Marshal Sir Cyril Deverell as Chief of the Imperial General Staff, and Major-General C. G. Liddell replaced General Sir Harry Knox as Adjutant-General of the Forces. Lord Gort and General Liddell were respectively twelve years and ten years younger than the officers they replaced. At the same time, the Director-General of Munitions Production (Engineer Vice-Admiral Sir Harold Brown) took over the duties of the Master-General of the Ordnance (Lieut.-General Sir Hugh Elles), thus reducing the number of military members of the Army Council from four to three—the third being the Quartermaster-General (Lieut.-General Sir Reginald May). It was also announced that the General Officers-Commanding the principal districts would in future be associated more closely with the central direction of army policy. The first meeting of the new "Commanders' Council" took place on February 1, and was attended by the G.O.C.s of the Eastern, Northern and Aldershot Commands, a deputy for the G.O.C., Southern Command, and the G.O.C. designate of the British forces in Palestine and Trans-Jordan, as well as the military members of the Army Council. According to the official communiqué, it examined arrangements for ensuring the rapid conduct of business between the War Office and the commands, and also schemes for the reorganisation of the army. The publication of these schemes is naturally awaited with the keenest interest.

Another episode that may be counted a straw in the

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wind of public feeling has been the agitation over the progress of air rearmament. It is widely alleged that the production of new machines is far behind schedule, and some of the anxiety has been vented in attacks on the personality of the Secretary of State for Air, Lord Swinton. On the motion for the adjournment on December 6, Lieut.-Commander Fletcher, a Labour member, vigorously criticised both the Secretary of State and his Under-Secretary, and demanded in particular that the Air Minister should be a member of the House of Commons, a point on which a number of Conservatives agree with him. The Prime Minister, in reply, paid a warm tribute to Lord Swinton.

When it is realised (he said), as it will be some day, with what speed, with what rapidity and with what efficiency he has built up a magnificent air force in this short space of time, unequalled, I should say, in the world as regards keenness of spirit of men, and equipped with machines of power and fighting force which were undreamed of before he came into office, I think he will have the thanks and will receive the gratitude of the country.

The actual expenditure on rearmament from the public purse has been extraordinarily laggard. In his last budget the Chancellor took power to spend £80 million on defence from loan resources in the year ending March 31, 1938, and £100 million of national defence bonds were issued shortly afterwards, bearing 2½ per cent. interest and redeemable between 1944 and 1948. Yet the latest revenue return shows that up to February 5 less than £7½ millions had been actually issued under this head. Nor does the recorded expenditure of the supply services suggest that the defence departments have proportionately overspent their votes in the first part of the fiscal year. The figures, indeed, lend some colour to the suggestion that industrial and technical difficulties have delayed the scheduled output of aeroplanes, munitions and other equipment.

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II. BUSINESS RECESSION

THIS, of course, has a direct bearing on the general economic situation, since it is generally agreed that rearmament expenditure has been an important stimulant of purchasing power and business activity during the past two years, and that the moment when it passes its peak will be a critical period for British industry. Government spokesmen have naturally deplored public statements which, it is alleged, by persuading business men that a slump is imminent, might actually help to bring one about. Mr. Chamberlain, in a speech on November 12, admitted that we must expect ups and downs in business.

But I can say this (he added), that I can see no sign of a setback in the immediate future or, indeed, for some considerable time to come, and if and when it does come we could hardly be better able to meet it than we are to-day.

A month later he was content to assert that the country was in a far better position to meet "any temporary decline in trade" than at any time since the war. Sir Thomas Inskip, the Minister for the Co-ordination of Defence, also speaking on December 14, claimed that the industrial strength of the country has been enhanced by the fact that, partly by means of the rearmament programme, "a new army of confident workpeople" had been trained.

Some critics (he said) are anxious to hail signs of the end of the boom that has accompanied rearmament. But rearmament has not reached anything like the full momentum that it will have in eighteen months' time.

Belief that prosperity will continue unabated has been shaken by recent unemployment returns. The total number of unemployed, after rising by 81,000 in the previous eight weeks, showed a further increase of 109,000 between October 18 and November 15. The December return was particularly depressing, since December is one

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of the months that usually show a seasonal rise in employment. Instead, there were 136,000 fewer people employed than in November (excluding agricultural workers), and the unemployment total was up by 166,000. December 13, the day on which the count was taken, was a day of exceptionally bad weather, and two-thirds of the increased unemployment was in outdoor trades, but there was also a long list of increases in the textile and other factory industries. In January, a month of heavy seasonal unemployment, there was a further increase of 162,000, bringing the total rise since August up to 518,000. Compared with January 1937 there was an increase of 23,000 in the numbers wholly unemployed, including casual workers, and an increase of about 172,000 in the numbers temporarily stopped. The total number of unemployed on January 17 was 1,827,600.

The rise in unemployment revives old problems as well as creating new ones. The Labour agitation against the "means test" for those claiming unemployment assistance after their insurance rights have expired shows signs of regaining the leading place in political controversy that it held a year or two ago. Mr. Ernest Brown, the Minister of Labour, told an important trade union deputation on January 20 that he would cause individual examples of the working of the means test to be investigated, but that he was satisfied that the Unemployment Assistance Board was operating the Act sympathetically. He also told them that he could hold out no hope of legislation in this session to raise the salary limit of non-manual workers coming under the Unemployment Insurance Acts, a measure that had been urged upon him in order to bring the benefits of the system to large classes of black-coated workers. There has also been talk of seeking to extend unemployment insurance, as well as trade union organisation, to domestic employees, but in this sphere the public has been more concerned with the serious and apparently growing shortage of domestic servants, which has not only contributed to

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the substantial immigration from Ireland of late years, but has also resulted in a considerable influx of women from Austria and other European countries.

This is one point at which the middle classes fail to benefit from the rising standard of life, including social services, which steadily accrues to the wage-earning population. It is an extremely good economic wind that blows nobody any ill. While unemployment has been shrinking and business growing more profitable as world prosperity has advanced, to the inevitable accompaniment of higher prices, wage-earners in uninterrupted employment as well as salary-earners, people with pensions and other dependent on fixed money incomes, have been paying the penalty of the rising cost of living.

It is a common saying (remarked Sir John Simon in a recent speech) that when prices go up in the lift, wages only ascend by the stairs. But it is not always realised that when prices come down in the lift, wages hold on to the banisters.

He claimed that in the depression period, while the cost of living fell by 14 per cent., wages fell only by 5 per cent. but that since 1933 average weekly wages had risen by something like 9 per cent., against an 11 per cent. rise in the cost of living. Unemployment, continued the Chancellor of the Exchequer, had now fallen very nearly to the 1929 level and though the cost of living had risen it was still 4 per cent. lower than in 1929, while rates of wages were 4 per cent. higher. According to Ministry of Labour statistics wage-changes in 1937 resulted in a total net increase of about £780,000 in weekly full-time wages, the number of workers affected being more than 5,100,000. This was the largest total increase recorded in any year since 1920. If shorter working-hours, better working conditions and more generous social services (including housing subsidies) are taken into account, there is no doubt that the average wage-earner in Great Britain is substantially better off now than he was in 1929.

These facts, however, do not assuage the Government's

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critics, who claim that the rise in the standard of life would have been much greater, and the hardships imposed by the recent steep rise in the cost of living would have been avoided, but for the Government's own policy. A petition organised by the Liberal party prayed the House of Commons to alleviate the burden of higher prices for foodstuffs and other domestic necessities upon families receiving low wages, fixed pensions, unemployment allowances or other small incomes, "by removing or reducing such taxes, tariffs, and regulative trade restrictions, internal or external, as stand in the way of a free and open market for all consumers". The petition, signed by 804,000 citizens, was presented to the House on February 2.

III. GOVERNMENT AND INDUSTRY

WHEN it reassembled on the previous day, Parliament faced a stiff programme of economic legislation. First among its tasks was to consider in committee the Government's Coal Bill, which received a second reading before Christmas by 301 votes to 139. Part I of the Bill, providing for government purchase of all coal royalties for a flat sum to be apportioned by the royalty-owners themselves, had already passed the committee stage. On Part II, which provides among other things for compulsory regional amalgamations of collieries in the interests of efficiency and economy, the Government faced the possibility of a mutiny of some of their own supporters. Under the Bill as drafted, each compulsory scheme must be promoted by the Coal Commission, approved by the Board of Trade, passively allowed to go forward by the House of Commons, and finally endorsed by the Railway and Canal Commission. The mineowners organised a powerful campaign against such interference with private enterprise, in spite of the fact, as *The Times* pointed out, that their industry had been rescued from suicide by the action of the state, and was again relying on the state to continue to preserve it from its suicidal

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tendencies by re-enacting the legislation enforcing organised selling arrangements. The Government bowed to the agitation to the extent of inserting an amendment requiring for every compulsory amalgamation scheme the positive assent of Parliament, given through a special select committee.

Other measures, imposing government regulation on, or giving government assistance to, private industry, which are to come before Parliament shortly, include an Electricity Bill, a Sea Fish Industry Bill (providing for producers' and distributors' marketing schemes), and a highly controversial Films Bill with amended quota regulations. The Government has also promised time for a Bill introduced by Miss Ellen Wilkinson to remedy some of the abuses of the hire-purchase system, which have become a scandal in some working-class areas. The Government spent an unhappy afternoon, before the recess, withstanding the fire of critics of its Population Statistics Bill. This urgently necessary measure was designed to procure, through the machinery of registration of births, such information as would enable accurate calculations to be made of the fertility of different sections of the population, a point on which British statistics lag far behind those of some other countries, including several Dominions. Unfortunately, an omnibus clause was appended which, in the critics' view, would have authorised offensive inquiries into people's private lives. An ingenious press damned the measure with the title "Nosey Parker Bill", and Mr. A. P. Herbert, in a witty and devastating attack, showed himself once more a formidable parliamentarian. Only party loyalty gained the Bill a second reading, but when the Government had jettisoned the omnibus clause and added a few safeguards the storm turned to calm, and the committee stage was completed with virtual unanimity.

An item of government economic policy much welcomed by the City was the relaxation of the restrictions on foreign lending announced on February 1. In future the ban is to

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be applied less strictly to the raising of new long-term money by British Empire borrowers for commercial or industrial enterprise in foreign countries, and to the purchase for re-sale of large blocks of foreign-owned securities. The announcement was the more welcome and surprising in that anxiety over the national balance of payments had been aroused by the rising surplus of imports over exports. In 1937, the surplus totalled £432 million, a figure nearly £86 million higher than the surplus in 1936. Experts calculate that £50 million to £60 million of this addition was covered by increased earnings from shipping and finance and from higher dividends on oversea investments, but the remainder, together with the great imports of gold, must have required a net influx of long-term or short-term capital into Great Britain.

It has been put about that the Government will feel obliged to introduce legislation dealing with football and other betting pools. Since the existing Betting and Lotteries Act was passed in 1934, the pools, whose legality the Act went out of its way to assure, provided they are formally conducted on a credit basis, have grown enormously. It is estimated that as much as £40 million a year passes through the hands of the pools, mostly in small stakes. This presents quite serious economic and social problems. Of that sum, it is calculated, the promoters take £2,000,000 in profit, well over £500,000 is spent on press advertisement, and about £5 million goes in other expenses. The transfer of money from the pockets of the losers to those of the winners and promoters (who form a powerful "ring") involves social and economic distortions which cannot be summed up in figures, but of the net cost it may certainly be said that it is clear economic loss to the country. The suggestion is made that if the traffic is evil in itself it should be banned, and that if it is not evil in itself it should be regulated in the public interest and for the benefit of the public purse, or possibly taken over altogether by the state. It seems doubtful, however, whether

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even so strongly entrenched a Government as this could risk the electoral unpopularity involved in banning a form of amusement in which perhaps seven million households indulge.

Recent by-elections have not given evidence of that landslide against the Government which alone can threaten their majority, though they show a certain accretion of strength to the Opposition. At Hastings, a safe Conservative seat formerly held by Lord Eustace Percy, the Government poll fell to 18,428 from 20,905 at the general election, while the Labour poll was up from 9,404 to 11,244. At Farnworth, a Lancashire mining constituency, the Labour majority increased from 5,201 to 7,463, while the Conservative vote remained practically constant; but in 1935 there had been also an Independent candidate, whose supporters apparently voted for Labour this time. Whether a serious economic setback would jeopardise the Government's position is a question which one may hope will not be put to practical proof in the near future.

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I. THE DOMINION-PROVINCIAL ROYAL COMMISSION

ON February 16, 1937, the Prime Minister of Canada announced that the Government proposed to appoint a Royal Commission to investigate the whole system of taxation in the Dominion, to study the division of financial powers and responsibilities between the Dominion and the provinces; and to recommend what should be done to secure a more equitable and practical division of the burden, in order to enable all governments to function more effectively, and more independently, within their respective jurisdictions. Earlier in the same session the Prime Minister had said: "There is no more important question confronting this parliament than that of the necessary amendment of the British North America Act. . . . On all sides there is agreement that amendments are necessary."

The Commission was appointed on August 14, its actual terms of reference being as follows :

That it is expedient to provide for a re-examination of the economic and financial basis of Confederation and of the distribution of legislative powers in the light of the economic and social developments of the last seventy years; and in particular :

- (a) to examine the constitutional allocation of revenue sources and governmental burdens to the Dominion and provincial governments, the past results of such allocation and its suitability to present conditions and the conditions that are likely to prevail in the future;
- (b) to investigate the character and amount of taxes collected from the people of Canada, to consider these in the light of legal and constitutional limitations, and of financial and economic conditions, and to determine whether taxation as at present allocated and imposed is as equitable and as efficient as can be devised;

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- (c) to examine public expenditures and public debts in general, in order to determine whether the present division of the burden of government is equitable, and conducive to efficient administration, and to determine the ability of the Dominion and provincial governments to discharge their governmental responsibilities within the framework of the present allocation of public functions and powers, or on the basis of some form of reallocation thereof;
- (d) to investigate Dominion subsidies and grants to provincial governments.

The Commissioners were further instructed "to consider and report upon the facts disclosed by their investigations; and to express what in their opinion, subject to the retention of the distribution of legislative powers essential to a proper carrying out of the federal system in harmony with national needs and the promotion of national unity, will best effect a balanced relationship between the financial powers and the obligations and functions of each governing body, and conduce to a more efficient, independent and economical discharge of governmental responsibilities in Canada".

Those in other parts of the world who have not kept closely in touch with recent political and economic developments in Canada may properly enquire how the unanimity of opinion regarding the need for constitutional amendment, to which Mr. King referred, came about, and why it was nevertheless necessary or desirable to appoint a Royal Commission to undertake an enquiry of so wide a scope. Any comprehensive answer might involve a study of Canada's economic and political history back to 1867 or even beyond; but within a reasonable compass it may be possible to outline two main lines of approach that will help to explain the present state of opinion and the function the Royal Commission is intended to fulfil.

For some years there has been a growing conviction, in the minds of those Canadians who have considered the matter, that the existing division of legislative authority between the Dominion and the provinces was no longer well adapted to facilitate the attainment of certain objects

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of government that are felt to be increasingly desirable and important. This belief has not implied any criticism of the work done by the Fathers of Confederation, for whose achievement there still exists in Canada a profound respect and admiration. If there is criticism, it is rather of the judges who have been called upon to interpret the British North America Act, and in particular of the members of the Judicial Committee of the Privy Council, who have adopted on the whole an interpretation most favourable to the preservation of provincial autonomy, without much regard to the practical problems of government that such an interpretation might create.

Criticism of this kind became most vocal in 1937 after the Privy Council judgments on the group of statutes sometimes described as the "Bennett New Deal" legislation.* One explanation of such criticism was that the decisions in *Edward's case* in 1930, the *Aeronautics case* in 1932, and the *Radio case* in the same year had given some ground for hope that, through interpretation along lines more favourable to the powers of the central authority, the British North America Act might gradually be transformed into a constitution suitable to the needs of a country whose racial and geographic divisions would always be likely to make it a difficult one to govern. The oft-quoted opinion of Lord Sankey that "the British North America Act planted in Canada a living tree capable of growth and expansion within its natural limits", and that "the object of the Act was to grant Canada a constitution", had particularly encouraged such hopes, notwithstanding the warnings of some jurists that "none of the observations of Viscount Sankey can be said to provide legal justification for an attempt by Canadian courts to mould and fashion the Canadian constitution by judicial legislation so as to make it conform, according to their views, to the requirements of present-day social and economic conditions".

* See the article on "Canada and the Privy Council" in *THE ROUND TABLE*, No. 108, September 1937, pp. 755-764.

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However illusory such hopes may have been, they were in fact entertained, and the greater the hopes the greater the consequent disappointment of those who held them.

How completely they were blasted by the "New Deal" decisions is plain from the summary of the latter's long-range significance made by Dean Vincent MacDonald of Dalhousie in the *Canadian Bar Review* for June 1937:—

A.—They depict a Canada with a constitution of a character the complete reverse of that intended; for the result is a decentralised federalism with the effective residue of legislative power in the provinces.

B.—They depict a constitution whereunder many matters essentially of national importance are beyond the legislative competency of the National Parliament.

C.—They depict a constitution whereunder appropriate legislative action by the Dominion Parliament as to such matters as the implementation of international bargains made by the national executive, social and economic security and reform, and control of industry and commerce, etc., depends for its legal efficacy upon the consent and co-operative action of the provinces.

D.—They depict a constitution whereunder as to many and vital matters no effective legislation is possible at all; for jurisdiction in relation thereto is vested in the provinces who are incompetent to deal with them effectively in point of fact.

E.—They depict a constitution whereunder the legal capacity of the Dominion Executive to make international agreements—a capacity indicative of nationhood—is limited in its exercise by the fact that the legislation necessary to perform obligations so contracted is competent to it only to the extent to which the subject-matter of the treaty coincides with some head of Dominion legislative jurisdiction or it is possible to secure the enactment of necessary provincial legislation.

F.—They depict a constitution to be interpreted "in such a way as to invalidate any Dominion Act unless it can be brought under the narrowest interpretation of the provision of section 91, without coming into conflict with the widest possible interpretation of the 'property and civil rights' provisions of section 92"—a constitution to be interpreted in a spirit of narrow legalism as a statute without any "burning anxiety to make it, as a constitution, fit contemporary needs".

G.—They "put an end to any hope we might have had that the courts would assist us in adjusting the British North America Act to changing conditions and changing needs by shifting jurisdiction from the provinces to the Dominion as matters cease to

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be local and provincial in their nature and become national in their character and importance".

H.—In short they reveal that in Canada to-day, when vital problems of general and common interest press for solutions possible only to a strong central Parliament, that Parliament is devoid of the necessary power, and this infirmity is curable only to the extent that the local legislatures are willing to co-operate with unanimity, and that both national and local legislatures (to name all) are able to devise enactments strictly within the legal competence of each which, in their aggregate, will effect the necessary solutions.

I.—Finally, they demonstrate the absolute and urgent necessity for legislative revision of the terms of the British North America Act and, as part of such revision or as a separate matter, the necessity of considering what court shall possess for the future the ultimate power of interpretation.

In connection with Dean MacDonald's final point, it is perhaps worth mentioning that one effect of the decisions has been to create increasing dissatisfaction with the Privy Council as a final court of appeal on constitutional questions. The number of the *Canadian Bar Review* already quoted also contained other articles on these cases by various authorities, and it is significant that all the Canadian writers seemed to favour the abolition of such appeals. It is scarcely going too far to suggest that the only group in Canada which retains much enthusiasm for them comprises, in the words of Stephen Leacock, "Canadian senior lawyers whose periodic trips to London to 'argue' are the bright spots in dull lives".

It may be asked why a constitutional situation that had been viewed with complacency for sixty years should suddenly appear so unsatisfactory. The answer is to be found in the economic depression and in the growing realisation in America of the interdependence of government and the economic system. In the United States and Canada the basic ideology of *laissez-faire* persisted much longer than in Europe. The notion that work and opportunity were always there for anyone with a will to find them, and that poverty was not merely a misfortune but probably a sin or even a crime, survived predominantly,

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and in some measure still survives. Until recently the tariff was widely regarded as the one legitimate field for government interference with economic forces otherwise inexorable. What regulatory legislation we had—for instance the Combines Act—was designed to facilitate the operation of economic forces and not to cut across them.

This theory is by no means dead, but it is no longer sacrosanct. It is hard to realise to-day that as recently as 1930 there was no special machinery in Canada for dealing with unemployment relief, and that the lack of it tended to make us feel somewhat superior and to sneer at the English system as "the dole". The depression and the drought forced this problem to the front, and with it many others. The Royal Commission on Price Spreads revealed grave abuses, and so did the various investigations associated with the New Deal in the United States. The voices of the New Dealers, of President Roosevelt and Premier Aberhart, and even the voice of Mr. Bennett himself, led Canadians to realise that there were many things that ought to be done and that some of them at least should be done by government.

This growing conviction of the importance of government in the economic sphere led directly to the discovery that, while business in Canada is organised and conducted on a national scale, the power to regulate business practices, hours of labour, conditions of work and so on has been reserved by the British North America Act to the provinces. Perhaps unemployment insurance provides the best example. There is general agreement upon its desirability and also upon the virtual impossibility of establishing a proper system on the basis of provincial action. The Privy Council, however, has held that the constitutional right to legislate in this field lies with the provinces. Even if the enactment of such legislation by the provinces was a practical possibility, the general effect would be to increase their financial burdens. These burdens are already too heavy in proportion to existing revenues, and it is this

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disparity that constitutes the second explanation of the existing situation and is in fact the immediate cause of the appointment of the Royal Commission.

The financial plan of Confederation gave to the Dominion unlimited discretion in matters of taxation, but limited the taxing power of the provinces to the right to impose "direct taxation within the province". In 1867 the chief source of revenue was customs and excise—indirect taxes—and as the provinces were giving these up it was provided that they were to receive from the Dominion instead subsidies of fixed amounts sufficient to enable them to carry on the functions of government of the limited character it was thought such governments would have. The limitation of their powers of taxation was a device intended to discourage the provinces from any attempt to enlarge unduly the scope of their governmental activities.

However well intended it may have been, the scheme failed. Almost at once "Better Terms" were granted to Nova Scotia in 1869, and a series of minor readjustments led up to the general revision of subsidies in 1907, which resulted in an amendment to the British North America Act by the Imperial Parliament. In the words of Mr. J. W. Daffoe, one of the members of the present Commission:

The shifts and expedients to which the Dominion Government resorted to hide from itself and the Canadian people the fact that it was paying out money to these provinces to meet inexorable fiscal needs, and to make a pretence that it was merely adjusting inconsistencies and oversights in the original set-up, make a story which does not put Canadian politicians of those days in a favourable light.

If such expedients were necessary to meet the normal expansion of government services, it is not surprising that in certain provinces the rapid transition from pioneer conditions to well-organised modern community life should have been accompanied by an extensive recourse to public borrowings. Here it is probably necessary to refer only to two elements in this latter development: first, the device

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adopted in the period immediately preceding the war of financing railway expansion by the sale of securities carrying a provincial or Dominion guarantee, and secondly the inflated price structure that developed during the war, reached its peak in the immediate post-war period, and persisted in some measure throughout the 1920's. Both these developments obscured the true facts by disguising the extent to which reserves of borrowing power had been impaired—the reserves that otherwise might have been available to meet conditions described in a report of the Bank of Canada as “the valleys that must inevitably follow the peaks in any primary commodity exporting area”. In extenuation, however, it must be borne in mind that the development of Western Canada did justify large capital expenditures. For example, a net bonded and treasury-bill indebtedness, on April 30, 1929, of \$60 million for a province of the size and population of Saskatchewan cannot be said to reflect wanton extravagance. Furthermore, the conditions as they developed from 1930 on were not such as could have been anticipated from any previous experience.

When these conditions did develop it soon became plain that certain of the provinces were faced with insistent demands, especially for unemployment relief, that were quite beyond their resources of either revenue or credit. Inevitably they turned for assistance to the Dominion and, equally inevitably, the Dominion granted it. The facts and figures are well known and do not need repetition. But by the end of 1936 it was clear that, unless the Dominion was going to continue to make advances with little hope of repayment, some comprehensive review of the situation was necessary. The first step was an investigation of the financial position of the provinces of Manitoba, Saskatchewan and Alberta, conducted by the Bank of Canada. The subsequent report stated that the Bank “did not see any solution other than that which might be provided by a comprehensive enquiry into the financial

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powers and responsibilities of all our governing bodies”. The announcement of the intention of the Dominion Government to appoint such a commission followed at once.

The Royal Commission consists of the Hon. Mr. Rowell, Chief Justice of Ontario, Dr. Joseph Sirois, Notary of the City of Quebec, Mr. J. W. Dafoe, editor of the *Winnipeg Free Press*, Professor H. F. Angus, Professor of Economics of the University of British Columbia, and Professor R. A. MacKay, Professor of Government of Dalhousie University. Early in the Commission's life, Dr. Sirois replaced Mr. Justice Rinfret of the Supreme Court of Canada, who was forced by ill health to resign.

It will be observed that as usual in such matters in Canada, the Government in its selections recognised the federal principle or, perhaps more accurately, the political wisdom of regional representation. It may be assumed that much consideration was given to the advisability of selecting as chairman some outstanding British expert on public finance. The Commission might have gained in authority by such a choice, which could have been supported by precedent; but there has been a growing feeling in Canada that we have now attained sufficient maturity to be able to handle our own problems, and that when there is a job to be done a Canadian should do it. If a Canadian was to be chairman there seems to be general agreement that the actual choice was an admirable one. Mr. Rowell, before his recent elevation to the Bench, was one of the three or four outstanding Canadian counsel in constitutional cases, and could be counted on to have a complete comprehension of the legal questions involved. He had acquired a knowledge of the practical problems of government, both in the provincial field as leader of the Liberal Opposition in Ontario before the war, and as a member of the Union Government at Ottawa from 1917 to 1920. As a former Canadian representative at the League of Nations and President of the Canadian Institute of International Affairs,

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he was known to have a keen sympathy for Canadian aspirations and an appreciation of Canada's place in world affairs.

Mr. Dafoe could also be regarded as a national figure, not merely by virtue of his having controlled for many years the editorial policy of one of the chief organs of public opinion in Western Canada, but also because he is pre-eminently what we describe as a "personality", eminently colourful and with a host of friends from one end of the country to the other. He, like Mr. Rowell, is getting on in years, but it is doubtful if it would ever occur to anyone to apply to him the adjective "venerable". His wide knowledge of practical politics and of opinion should prove invaluable.

The other three members are not so generally known, but are highly regarded in their own fields and localities. There has, in fact, been surprisingly little criticism of the personnel of the Commission, except for an initial complaint by Premier Aberhart of Alberta that its members did not include any convert to the Social Credit revelation. What criticisms have appeared have proceeded mainly on one or other of two grounds, either that room should have been found for a man with a wide practical knowledge of affairs, some outstanding representative from the ranks of business or industry, or that all those selected, in so far as they were known to have political affiliations, were members of the Liberal party. Certainly no one of them was clearly recognisable as a Conservative, and however legitimate may be the claims of party loyalty the omission was regrettable and one that Mr. R. B. Bennett has not failed to point out.

Generally speaking, however, there has been a wide spread tendency to avoid criticism and to wish the Commission well. Their task is admittedly a formidable one. Of the two sets of forces operating in Canada, the centrifugal and the centripetal, the former are apt to be much the more conspicuous and vocal. Such forces, too, are accentuated by geography, by differences of race, religion and to some

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extent of climate. The forces that make for unity, for national consciousness and for the mutuality of goodwill and sympathy so badly needed in the present circumstances are, on the other hand, less articulate, less superficially impressive, although perhaps all the more enduring and vital. The task of the Commission is to effect, not only a balance of these forces, but a synthesis of them. The problem is no less than that of determining "how much government should be carried on by the Dominion and how much by the provinces and their creatures the municipalities; then to formulate a division of taxes and other revenues that will enable each class of government to carry out its share of the common task of administering Canada and looking after the welfare of the citizens".

An undertaking so defined might seem vast enough, but it is not all. It does not suffice that an analysis should be made and a solution suggested; it is necessary, in addition, that the solution should commend itself to public opinion with sufficient force to ensure its substantial adoption. This task is in many ways the most important and the most difficult of all. It is often pointed out that Confederation in Canada would probably never have come about had it not been for the American Civil War, the greatest lesson of all times of the dangers of sectional loyalties. There are some pessimists to-day who believe the remaking of Confederation must await a similar lesson or at least a comparable menace. It is usually easier to arouse animosity than understanding. Understanding can come only from knowledge comprehended by a certain largeness of mind. If the Commission can reduce the mass of information to knowledgeable compass it will have contributed to education, but if it can go one step beyond, and rouse public opinion to an appreciation of present dangers and the advantages of whatever solution may be devised to avoid them, it will contribute inspiration, and earn the enduring gratitude of the country.

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II. NATIONALISM IN QUEBEC *

FRENCH-CANADIAN genealogists assert that of the five million French-speaking persons who live in North America more than eighty per cent. have in their veins a great proportion of Norman blood, and that some sixty per cent. are almost wholly of Norman descent. It is important, in assaying what is commonly referred to as Quebec's "nationalism", to remember that fact. The sensational activities of some groups and the theatrical statements of some individuals will then be seen as they are in fact: extreme expressions of deep-lying stresses and strains in the social, economic, political, intellectual and religious life of a rapidly expanding but slowly changing race.

What is happening and may happen in French Canada is of real importance to every part of the British Commonwealth of Nations. The French Canadians are almost one-third of all the people in Canada. They are probably the most influential single minority in any country in the world. When they agree among themselves that they want a thing, they generally get it with little trouble. What they get always has a great effect on all Canada, and thus on her sister-nations of the British family.

About twenty years ago, moral reform was as fashionable in North America as economic reform is to-day. The sale of alcoholic beverages was illegal in every part of the continent except Mexico. Even the Government of Quebec succumbed to the wave of puritanism and enacted prohibition. But the common sense of Norman Quebec rebelled against the experiment and evolved a workable system of government sale and control which has since been accepted as standard practice throughout Canada and most of the United States. French Canada did not go back

* This section is contributed by an English Canadian resident in Quebec; the ROUND TABLE group in Canada does not assume responsibility for all its statements.

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to the abuses of the saloon. It developed something new. And that new thing was so sensible that in two decades it became the custom of a continent.

What happened then in Quebec will happen there again, if the French Canadians are given a fair chance to work out their problems in their own way. The people of Quebec have no more intention in 1938 of throwing away their privileged position in Canadian democracy for the doubtful benefit of wearing coloured shirts and goose-stepping in the public squares than they had in 1918 of heaving overboard their "*whisky blanc*" and "*Caribou*" in exchange for two per cent. beer. There were some things they did not like about the liquor traffic of that day, and they got rid of them by putting it under control. There are things they do not like now in their social fabric, their economic position, their educational system, their ecclesiastical organisation and their governmental agencies. It is a more serious, more complicated and more difficult task to make changes on so many fronts at once than it was to regulate the liquor traffic. It may take some time and it may necessitate drastic-seeming reforms in Quebec's institutions. But the changes will be made. If possible, they will be made within the framework of Confederation. And, when the smoke blows away, Quebec will still have an *élite*, a labouring class and a peasantry; it will still operate under the capitalistic system; its schools will still teach in French and emphasise the humanities; the people will still be Roman Catholics, and their governments, municipal, provincial and federal, will still be elected by popular vote.

Most of the current misunderstanding about French Canada, and much of the suspicion with which the French Canadians eye their fellow Canadians of another tongue, are due to the extraordinary fact that though the two dominant races in Canada have lived side by side for one hundred and seventy-five years they still know very little about each other. Together they have built a nation, they

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share half a continent, they have seized a substantial part of the world's trade for their own, and they have altered the constitution of the British Commonwealth of Nations at least twice to make it fit Canadian ideas; but they are still strangers to each other and there are times when they quarrel as bitterly as only relations-in-law can quarrel when they must live under the same roof.

French Canada owes much of her economic progress in the last four decades to English-Canadian imagination, enterprise and selfishness, and she admits it with resentment. English Canada owes to the clear-headedness, traditionalism and stubbornness of the French Canadians most of the political evolution that has made possible her phenomenal economic development, and she refuses disdainfully to admit it at all.

There are strong ties of blood and similarities of temperament between French and English Canadians. Jointly they have accomplished much in Canada, partly because their Norman heritage makes them good pioneers and gives them a remarkable instinct for democracy. But there lies between them a gulf which neither side has ever shown a real disposition to bridge, and their differences have had to be worked out in repeated compromises, which have influenced the evolution of all Canadian institutions. It is the belief of some Canadians, who do not understand what lies on either side of that gulf, that it must disappear if Canada is to survive as a nation. These are the people who are losing sleep because they believe the Dominion is headed for dismemberment, and who are keeping everybody else awake with their cries of alarm.

But there are other Canadians, of equally sound judgment and deep patriotism, who believe that the Dominion would lose far more than it would gain if the races were melted into one standardised mass. They may admit that it would be easier to make money, easier to get elected to public office, easier to mobilise or to stampede public opinion and perhaps easier to pay Canada's enormous public debts, if

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all Canadians spoke, felt and thought alike. But they maintain that the clash of interests, of points of view and of aims, which makes Canada something of a riddle even to Canadians, is the stimulus that has carried the country so far in such a short time along the path of self-determination, and the spiritual salt that has saved it from being absorbed in the great crucible of Americanism to the south.

What is this great gulf? Why is it that not only the two and a half million French Canadians in the province of Quebec, but also their seven hundred and fifty thousand brothers in the English-speaking Canadian provinces and their two million cousins in the United States, have resisted absorption by their one hundred and forty million English-speaking neighbours with the fierce exclusiveness of Old Testament Jews? And why do so many English Canadians and Americans fear and distrust every effort of the French Canadians to remain exactly as they have always been, a law-abiding, self-respecting minority which asks only to be let alone to do as it pleases with its own share, a comparatively small share, of North America's superabundant wealth? Is it because the French Canadians interpret the Apostles' Creed literally and the English Canadians think of it symbolically when they think of it at all? Partly. Three hundred years ago such differences often led to war. And emotional habits do not change very quickly.

But there is another and more serious difference between them. The French Canadians have lived in North America for more than three hundred years. At one time they were masters of most of the territory now embraced in the Canadian provinces of Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island and in the American states of Maine, Ohio, Michigan, Indiana, Wisconsin, Illinois, Minnesota, Iowa, Missouri, Kentucky, Tennessee, Arkansas, Mississippi and Louisiana. Then came war between France and England, a war not of their making. Boscawen, Amherst and Wolfe crossed the sea and Louisbourg fell. A year later Wolfe crossed the sea again with

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Saunders. Quebec fell. Wolfe died, Murray took his place and Montreal fell. The French Government turned its back on its overseas empire, and made over Canada by treaty to Great Britain with more relief than sorrow. The French Canadians found themselves stranded in a thinly settled continent, under a foreign flag. There was only one thing to be done and they did it. They withdrew into their parishes along the St. Lawrence river, they gathered around their priests as they had never done before, and they raised children. There were some sixty thousand of them in 1760 in what is now Canada. There are more than three million to-day.

The non-French population has grown fitfully, partly by natural increase, largely by immigration. While it outnumbered the population of French origin by three to one, it is by no means homogeneous, its birth rate is much lower than that of French Canada, and it does not at present want any more immigration. As a matter of fact it does not know what it wants. It has no national policies on which it has ever been able to agree for long. It has thrown itself into experiments as diverse as prohibition and Social Credit from which it has had to emerge shamefacedly. It has opened up vast territories at great expense only to find some of them unsuited to permanent development. It has built more railways than it can support. It has allowed a mushroom financial oligarchy to clap a check-rein suddenly on the scattered enterprises and communities of a pioneering people, and it is a toss-up whether the horse will throw the rider or the rider will tame the horse.

Part of English-speaking Canada is British, part of it is American, part of it is chauvinistically Canadian. Some English-speaking Canadians feel it is the duty of the Dominion to participate in all British wars, some feel it would be suicidal to do so, others are waiting to see how the cat will jump before they make up their minds. The western and the maritime provinces feel that Ontario and Quebec have unduly benefited under Confederation at their

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expense. At the moment Ontario and Quebec show signs of presenting a united front to the other provinces and even to the Dominion itself.

French Canada has been watching these things happen and it is not amused. If this is what English Canadians mean by democracy, then they will have none of it that they can avoid. They became members of the Canadian federation reluctantly, on the understanding that they would be left free to pursue their own development in their own way, under their own laws and customs and in their own good time. They are ready to bargain with English Canada, as they have always done, but the contracts made in the past must be respected to the letter before any new ones are signed.

When Canada went to war in 1914, Quebec went with the rest. She could see no reason why she should go, but she went. Thousands of her sons enlisted in a quarrel that was none of their making and from which they felt she had nothing to gain. They thought they would have their own regiments and their own officers, but they were scattered through the Canadian armies like aliens who were not to be trusted. In 1916, the Government of the Dominion asked for an extension of its term on the plea that an election would slow up Canada's effort. The Opposition, headed by Sir Wilfrid Laurier, agreed on condition that there would be no conscription without an appeal to the electorate. Sir Wilfrid undertook a series of recruiting meetings in Quebec and the province rallied. But the amendment to the British North America Act had no sooner passed the British Parliament than the Government appointed an English-speaking Protestant clergyman chief recruiting officer in the province of Quebec. The French Canadians reacted as any other self-respecting people would have done, the Government retaliated with conscription, and finally Quebec showed its teeth. Canada is still reaping harvests from the seeds that were sown then.

In the meantime, from 1914 to 1930, rapid economic

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expansion came to Quebec. A Liberal Administration, first elected to office in 1897, held power all those years. French-Canadian resentment against the federal Conservatives for what happened in 1917 turned against the provincial Opposition, and Quebec's Liberal Government became so strong that it lost touch with the people and lapsed into reaction. Capital poured into the province from outside, Ministers of the Crown became directors of large corporations, and when the depression struck in 1930 nearly three-quarters of the business and money in Quebec were in the hands of English-speaking people who constituted about one-fifth of the population.

Another movement was going on at the same time. The Roman Catholic clergy, seeing the money and methods of non-Catholics flowing into Quebec in a never-ending stream, and anticipating trouble sooner or later, went unobtrusively about the business of strengthening their people as they had done in 1760. They duplicated non-Catholic organisations with organisations under clerical control. They matched international labour unions with Catholic "syndicates"; the Y.M.C.A. with the Association Catholique de la Jeunesse Canadienne; the Junior League with La Ligue de la Jeunesse Féminine; the St. George's, St. Andrew's and similar national societies with La Société Saint-Jean Baptiste; the Irish-Catholic Knights of Columbus with the Knights of Carillon and later with the Knights of Jacques Cartier; farmers' co-operatives with L'Union Catholique des Cultivateurs; the Canadian Association for Adult Education with an affiliated section of their own; the Canadian Handicrafts Guild with a similar body and, later, with Le Réveil Rural. English broadcasting stations were met with powerful French ones, films were imported from France for French cinemas, newspapers were founded, magazines were established, book publishing houses opened their doors. Ties were strengthened with the French Canadians in the English provinces and in the United States. The University of

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Montreal embarked on a great policy of expansion. The Sulpicians, once Seigneurs of the Island of Montreal and wealthiest of all church organisations, invested heavily in industrial enterprises and turned some of their vacant lands into real estate developments with a view to financing these new movements. Catholic charitable organisations were amalgamated in a federation. And the Catholic Commercial Travellers' Association voluntarily assumed the rôle of propagandists-at-large for the rejuvenation of French Canada's traditional policy of racial solidarity.

The depression was not expected when it came and it threw some of the organisations into temporary confusion. The provincial Government and the municipalities, willing at first to contribute generously, listened to the privately tendered advice of large taxpayers and began to cut down their grants. People from stricken towns and villages flocked into the cities to draw the dole, and parish revenues declined. The Sulpicians lost millions of dollars when the real estate and securities markets crashed. The mammoth buildings of the new University of Montreal were left uncompleted and unoccupied. Holders of church securities became restless.

But the clergy redoubled their efforts. Employed and unemployed boys and girls were recruited in thousands into La Jeunesse Ouvrière Catholique, which soon branched out into La Jeunesse Etudiante Catholique, La Jeunesse Agricole Catholique and La Jeunesse Technique Catholique, all modelled on similar lines to the Belgian Rexists. The Catholic Labour Syndicates multiplied and grew stronger. The farmers' organisations were stimulated and went into politics. The teaching of English was discontinued in the lower grades of the public schools. Young men from the ideological societies began to give lectures and to speak from political platforms.

The old Liberal Government lasted six years longer, thanks to an almost shock-proof organisation and huge campaign funds. But in 1936 it went down to defeat

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before a coalition led by a young professional lawyer-politician who knew when to make allies and when to quit them.

Premier Maurice Duplessis began his reign by breaking with his most radical followers and by increasing the English representation in the Cabinet to show that he proposed to continue the traditional Norman policy of bargaining. Then he enthroned Cardinal Villeneuve beside the Lieutenant-Governor at the opening of his first session and erected a crucifix above the Speaker's chair in the House of Assembly to demonstrate that Quebec intended to remain Catholic. He abolished the parity of the English language in the law courts as an assertion of the French character of the province.

These things done, he launched a legislative and administrative programme which is admittedly tentative but which puts him in a powerful strategic position. He has virtually attempted to revive the mediæval guild system, with modifications, in industry. He set up a commission to revise municipal and provincial taxation. He limited interest rates. He set up a fund of \$15 million for loans to farmers. He ordered an inventory of the natural resources of the province. He gave pensions to the blind. A sweeping edict fixed minimum wages for workers of all categories. Freedom of speech was restricted under the famous Padlock Law, and freedom to attack Catholic teaching has been curbed by the arrest and conviction of itinerant anti-Catholic preachers on charges of sedition. Financial assistance has been given to the Sulpicians and to the Association Catholique de la Jeunesse Canadienne, funds will be forthcoming to complete the University of Montreal, and the money voted by Ottawa and Quebec under the National Youth Training Plan has been turned over in large part to the Jeunesse Ouvrière Catholique. A law has been enacted relieving religious institutions from the necessity of making financial returns to the government. The Dominion has been warned to keep its hands

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off Mr. Duplessis and his legislation, and Quebec has declared that it will concur in no amendments to the Canadian constitution that diminish the rights and privileges of French Canada. At the same time, the Premier has proclaimed that he will tolerate no move for secession from the Dominion and no restriction of the free right of labour to organise in lawful unions of its choice. He has asserted that there will be no totalitarian state in Quebec and that minority rights in the province will not be interfered with as long as they do not weaken the autonomy of Catholic French Canada. Cardinal Villeneuve has seconded him by denouncing separatism and fascism.

It will be one of the most difficult tasks of the Royal Commission on Dominion-Provincial Relations to try to find common ground between English Canada's materialistic concept of democracy and the religious and nationalistic concept of French Canada.

Canada,
January 1938.

AUSTRALIA

I. EXTERNAL POLICY AND THE ELECTIONS

IN Australia as in other parts of the British Commonwealth, the invasion of northern and central China by Japanese troops evoked widespread condemnation. A demand arose for some positive manifestation of this general disapproval, which, while falling short of war, might leave the Japanese people under no misapprehension about Australian opinion. A boycott of Japanese goods was suggested, and was most vigorously pressed by the Left wing of organised labour, in whose ranks the communists have considerable influence. Their zeal in this campaign was due to their natural humanity, the avowed hostility of Japan to their ideology, the rapprochement of 1936 between Chiang Kai-shek and the Chinese communists after the Sianfu incident, and to the fact that, to quote the words of one of them, "the people being massacred are, in the main, the working class". Invoking the principle of collective security, the Trades and Labour Councils of several states called on the trade unionists and people of Australia, not only to boycott Japanese goods, of which a detailed list of those imported was given, but also to refuse to handle imports from Japan and exports, particularly scrap iron and iron ore, to that country. Abstention from purchasing articles made in Japan was no less heartily advocated by members of other sections of the community. "It is a golden opportunity", said Professor Murdoch of the University of Western Australia, "for the peoples of the world to take decisive action against the war-mongers". To this end the Housewives' Association in Sydney appealed to womenfolk to refrain from buying Japanese goods.

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The expediency of such a course did not pass unquestioned. "Such a boycott", said Mr. Curtin, the leader of the Federal Labour party, "would be futile and provocative". Mr. Lang, the leader of the Labour party in New South Wales, described it as "a move by the communists to embroil Australia in war". "This unhappy conflict", wrote a leader writer in the Melbourne *Argus*, "is not our concern. Australia must not only keep out of it, but must not do anything which will be regarded as in any way intervening." Australian importers and exporters forecast reprisals, which were indeed threatened by Japanese merchants. Mr. Lyons, the Prime Minister, counselled coolness and restraint. He distinguished between an unofficial boycott by individuals and associations and similar measures by members of the League under article 16 of the Covenant; stressed the desirability of doing nothing that might enlarge the ambit of the struggle; intimated that the Government was co-operating at Geneva and Brussels with other Powers to expedite a settlement; and earnestly deprecated any such action as was urged by the Trades and Labour Councils. In the result, apart from the refusal of the coal-lumpers at Fremantle to refuel a Japanese whaler, there has been no practical public action.

The agitation excited by the woes of the Chinese happened to synchronise with the federal elections, and had therefore to compete for public attention with party political questions such as unemployment insurance, the forty-hour week, and the control of banking. Yet, as the campaign developed and the related subjects of defence and foreign policy became the dominant issues, the proposed boycott served to illustrate the views of the major contestants on these vital matters. Every party—United Australia, Country and Labour—undertook to make adequate provision for the defence of the Commonwealth, but they differed over the arm of the service most likely, having regard to the financial resources of the nation, to promote that defence. Both Mr. Lyons and Mr. Curtin appreciated the indispensability

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of each of the three arms in any properly balanced scheme of defence, but the former preferred to rely mainly on the navy, the latter on the air force.

Mr. Lyons agreed with Mr. Curtin that Australia could not afford a navy equal to her needs if she had to rely entirely on what she herself could provide, whereas, at present prices, a large and formidable air fleet was within her capacity, provided she could get the petrol to keep it on the wing. But the Australian navy, as he saw it, was a self-contained unit under the exclusive control of the Commonwealth Government, yet so devised as to collaborate efficiently with the British navy in a scheme of defence agreed upon by the representatives of the contributing States. "The Singapore base", he said, "is an integral link in the chain of defence on which the safety of Australia depends". Accordingly, when challenged, he made no apology for authorising the co-operation of two Australian warships with the British fleet in the Mediterranean towards the close of 1935. He could conceive, he pointed out, that a battle, decisive for Australia's interests, might be fought and won far from her shores—the farther the better. Co-operation with Great Britain in matters of defence thus became a basic principle of the Government's policy.

The Prime Minister, in the name of the parties for which he spoke, also declared his adhesion to the same principle of co-operation in international affairs, in so far as obligations may rest upon Australia as a member of the League of Nations. In the course of the electoral campaign, he announced that the Australian High Commissioner would participate in the enquiry conducted by a committee of the League into the Sino-Japanese dispute, and would represent Australia at the conference at Brussels on the same subject. For these reasons he deprecated any such precipitate and unilateral action against Japan as was suggested by the advocates of the boycott.

In making co-operation for security against external

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aggression the sheet anchor of his policy, Mr. Lyons had the undivided support of the United Australia and Country parties. The Leader of the Opposition was less fortunate. In advocating what came to be called isolation, as opposed to co-operation, Mr. Curtin found himself in disagreement with the zealous minority of industrialists who clamoured for the boycott of Japan, and also with the less radical wage-earners who, while out of sympathy with that minority, regard the principle of collective security as the basis of trade unionism. He distinguished, however, between collective security in the latter sense and collective security as the term is used in European chancelleries. "The Abyssinians and Chinese have found to their cost", he said, "that 'collective security' is a snare and a delusion". Dubious of Great Britain's capacity, in the present world situation, to give effective help to Australia were she directly attacked, Mr. Curtin formulated a policy designed to prevent the Commonwealth from becoming embroiled in disputes other than those of her own making, and to enable her, if attacked by an aggressor, to give, single-handed, an impressive account of herself. He maintained that, while paying due regard to the army and navy, Australia should make the air force the main line of national defence.

Reliance on collective security (he said) is national suicide. . . . In so far as we make Australia self-reliant and less dependent on Britain for protection, we render a first-class contribution to the British Empire. The best service responsible men can render Australia is to keep her out of international entanglements.

Mr. Curtin denied that either he or the Labour party advocated a policy of isolation as such, or that he would be a party to withdrawing Australia from the League of Nations. But those who recalled that the United States had refused to join the League in order to avoid "international entanglements" had difficulty in reconciling Mr. Curtin's several statements, while others interpreted his policy of self-reliance as a camouflaged withdrawal from

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association with Great Britain in the defence of vital imperial interests—to-day in the Mediterranean, to-morrow in the Straits of Malacca. But more discomfiting to the Labour leader was the criticism that emanated from the Left flank of his own army. “One could not imagine a policy better suited to keep the Labour party in perpetual opposition”, said Mr. Garland, the President of the Adelaide Trades and Labour Council, “than that enunciated by the Federal Parliamentary Labour party on the question of defence. The isolationist policy has no relation to living politics. It is not a policy—it is madness. Mr. Lyons”, he continued, “is at least dealing with realities. He speaks of collective security as an alternative to war”.

Another alternative to war, however, was simultaneously advanced by Messrs. Beasley and Lang, two of the more prominent supporters of Mr. Curtin in New South Wales. Their alternative was a Federal Government which shared their views.

The Lyons Government (said Mr. Beasley) has deliberately committed this country to war. A vote for a Government candidate might well be a vote that would send the flower of Australia's youth to its doom on a European battlefield 12,000 miles away.

The leaders of the Government (said Mr. Lang) have been to London rubbing shoulders with the exploiters, the money bags, the war lords and the munition barons, and have signed on the dotted line. As sure as night follows day, they will, if left in office, commit Australia to a European war and send a conscript Australian army to a foreign battlefield.

“Avoid conscription by voting Labour”, thus became the most resounding of the battle-cries in the closing days of the campaign. The Prime Minister declared, in the most unequivocal terms, that the allegations of Mr. Beasley, Mr. Lang, and those who took their cue from them were figments of their imagination, and pledged his Government not to introduce conscription. But even Mr. Curtin professed his disbelief. In 1915, he said, Mr. Hughes, like Mr. Lyons a one-time Labour leader, had declared that

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“in no circumstances would he agree to send men out of this country to fight against their will”. Notwithstanding that pledge, Mr. Hughes had sought a specific mandate for conscription in 1916 and again in 1917. Having thus suggested that history might repeat itself, Mr. Curtin assured the electors that the party he led would regard the vote cast against conscription in 1916 and 1917 as final until varied by them. “The Labour party”, he said, “would require no Australian to serve in time of war outside the Commonwealth except with the approval of Parliament and the people”. Whether this pledge was intended to apply to men in the air force and the navy was not made clear. Nor did either side apparently regard compulsory service anywhere within the Commonwealth in time of war as conscription. The bogey assumed the form of “bones bleaching under an alien sky”. “Your vote on Saturday next”, said Mr. Lang a few days before the poll, “is as much a vote for or against conscription as it was in 1916 or 1917”.

II. THE ELECTION RESULTS

THE actual voting left the United Australia and Country parties in secure possession of the Treasury benches, though in greatly diminished strength in the Senate.* The effect of parading the conscriptionist scarecrow is

* The following table shows the state of the parties before and after the election :

	Before.	After.
<i>House of Representatives :</i>		
U.A.P.	31	29
U.C.P.	15	16
Total, Government . . .	46	45
Labour	28	29
<i>Senate :</i>		
U.A.P. and U.C.P.	33	20
Labour	3	16

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difficult to estimate, but Mr. Lyons expressed the opinion that his majority would otherwise have been greater. He himself achieved a record in federal politics by becoming Prime Minister for the third time in succession. Despite the crushing defeat of his referenda proposals nine months previously,* the unpopularity of a number of the acts of his Administration, and the natural tendency of electors to "give the other fellow a turn", the "other fellow", who during the past two decades has been in office for only 21 months, was denied a turn—apparently for at least another three years.

Manfully refusing, in the words of one of his journals, "to console himself with excuses that will not bear examination", the "other fellow" looked in upon himself in an attempt to discover why he had been so treated. He found, among other facts, that in representative constituencies such as Barton (Sydney) and Riverina (southern New South Wales), the Labour vote was relatively less than it was three years ago. This falling-off he attributed to two main causes: the so-called isolation policy, and the "strife-producing leadership" of "political dictators" in New South Wales—the key state in a federal campaign, since it returns 28 out of the 74 members of the House of Representatives. "The Australian people", said the radical organ of the railway workers, "refused to accept the view that they could be made safe by assuming that fascism, imperialism and world capitalism do not exist". The majority of the electors, it might be added, were unwilling to subscribe to a policy that might seem to suggest indifference on their part either to the possible necessity or to the capacity for assistance of a proved friend and relative who, though menaced and vulnerable, is still the most powerful member of the community of nations.

A commentator in the *Worker* remarked that "if the working class is to win to political victory, factional control must end, dictatorship methods must go by the board, and

* See THE ROUND TABLE, No. 107, June 1937, pp. 651-657.

THE ELECTION RESULTS

Labour's house must be put in order. The job is one that needs attention without delay." The job has already been taken in hand. The leaders of the industrial wing of the Labour movement in New South Wales are again trying to dislodge the group that controls the political machine and supports Mr. Lang. This group has lost control of Labour's broadcasting station and has been reduced in strength on the directorate of the *Labour Daily*, its main line of communication to the world of labour. Its opponents in the unions and political leagues also appear to be gaining ground. These facts and tendencies may presage the end of the turbulent reign of Mr. Lang. Certain it is that, with its close, his political opponents will lose an election-carrying asset. But experience has shown the folly of exhibiting the brush before the fox is caught.

The election returns disclosed some other matters of interest. In 1934, the strength of the Social Credit vote was sufficient to be mentioned as one of the reasons for the appointment of the commission of inquiry into the monetary and banking systems in operation in Australia. Possibly by reason of the commissioners' withering conclusions in paragraph 466 of their report, but probably because the market for nostrums is more active in times of sickness, the Social Credit vote was halved in 1937. The Social Credit candidate in the electorate of Wide Bay (Queensland) secured, it is true, the greatest number of primary votes, but he did so, it would seem, on account rather of his religion than of his monetary theories. He was the only Protestant candidate, explained the Ministers' Fraternal and Protestant Association, in a statement made by them in justification of their issuing "How to Vote" cards in his favour. "As leading members of the community, in emulation of our brethren of the Roman Catholic Church in a similar situation", they wrote, "we have directed the conscience of the people in the matter of how to vote"—an oblique reference, possibly, to the activities of the Catholic Taxpayers Association, a body recently

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formed to make a concerted nation-wide effort to secure state aid for Roman Catholic schools. The other two candidates comforted one another by agreeing to exchange their preferences. In the result, the second preferences of the Labour candidate won the seat for his United Australia party rival. The bitterness of the comments of the unsuccessful or almost unsuccessful Labour candidates at the declaration of several polls in Queensland proved that, in that state at least, the embers of sectarianism are still warm. There, too, communism was given more support than anywhere else in the Commonwealth, its standard-bearer, an ex-Rhodes scholar, receiving one in five of the votes cast in the most northerly electorate, thus trebling his party's poll in that constituency in 1934.

In New South Wales, a challenge to pre-selection, and in South Australia the abandonment of that system by the Labour party, had piquant consequences. In Warringah, N.S.W., a constituency in which but one elector in eight voted for Labour, the Minister for Defence * was defeated, with the aid of Labour votes, by a United Australia party candidate opposed to pre-selection. In Adelaide, where three of the four candidates were Labour men, one of them topped the poll when the primary votes were counted, but was defeated by the United Australia party candidate when the preferences of the other two Labour men were distributed. The remarks at the declaration of the poll were frank and vehement.

In Victoria, the political situation was complicated by factors peculiar to that state. There, in state politics, in April 1935 the Country party broke with the United Australia party, and, although numbering but twenty in a House of sixty-five, formed a Ministry, which by the grace of the Labour party has been in office ever since. Early in September last the Governor, at the request of Mr. Dunstan, the Premier, dissolved the Legislative Assembly in order to ascertain the opinion of the electors on

* Sir Archdale Parkhill.

the Government's proposals for the reform of the Legislative Council. These proposals had been twice accepted by a majority in each branch of the legislature, but on neither occasion by the absolute majority of the Legislative Council required by the constitution. Their aim was to establish the paramountcy, within the legislature, of the Lower House.

The Victorian Legislative Council has been described by Sir Stanley Argyle * as "a property House". Candidates who seek election to it, being thirty years of age or older, must own freehold to the value of £1,000, and the electors must own realty to the value of £10 per annum, or pay at least £15 per annum in rent. The pith of Mr. Dunstan's proposed reform was that any Bill, except a Bill to abolish the Council, or to alter certain salaries fixed by the constitution, or to amend either of these two "safeguards", should become law without the consent of the Council, if, having passed the Assembly and been rejected by the Council, the electors signified their approval of it at an election precipitated by such action.

Mr. Dunstan regarded the results † of the state election on October 2 as an endorsement of his proposals by the electorate and took appropriate action. As the election occurred during the federal campaign, inferences were drawn from its returns by all parties. Labour found ground for hopes which were not borne out by the event; for it gained but one seat in Victoria (albeit the only seat it won anywhere), and that by a narrow margin. Its political ally, the Country party, also secured a seat at the expense of the United Australia party. The winner of it,

* The leader of the U.A.P. in Victoria.

† The following table shows the state of the parties before and after the Victorian elections :

	Before.	After.
U.A.P.	24	21
C.P.	20	20
Labour	18	21
Independents	3	3

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together with another Country party man who wrested a seat from a Country party supporter of a working alliance between the United Australia party and the United Country party, have gone to Canberra as declared doubters of the effectiveness of composite Ministries such as that of Mr. Lyons and Dr. Page.*

III. THE SENATE

THE Senate results provided the paradox of the elections. Labour won sixteen of the nineteen vacancies. The Government's substantial carry-over from the last election, when it won all the seats, allowed it to retain a majority of four in a House of thirty-six. As the Labour party is in power in three of the states, and is keeping the Country party in power in a fourth, it was to be expected that under any truly democratic method of election it would be strongly represented in the so-called states' House. It was also to be expected, having regard to the existing method of electing the Senate, that one party would win all the seats vacant in one or more of the states, despite the size of the vote cast for the other party or parties. This anomaly has been a feature of Senate elections for the past seventeen years, although this is the first time that the Labour party has scored so heavily. But it was not expected that the same electors, voting for the two Houses at the same time, would give sixteen out of the nineteen vacant seats in the Senate to the party to which they gave only twenty-nine out of the seventy-four seats in the House of Representatives.

This surprising result was due to the fact that the system of exhaustive preferential voting gives all the Senate seats that can be won in a state to the party receiving the majority

* Mr. McEwen, a member of the Victorian Country party and a newly appointed member of Mr. Lyons' composite Ministry, has been expelled from his party for accepting office.

THE SENATE

of votes in that state. In five* of the six states that party, on this occasion, was the Labour party. It was so successful, despite its lower aggregate vote for the House of Representatives, partly through the distribution of the preferences of voters who, while dissatisfied with the Lyons-Page Administration, were not prepared to help Labour to power in the more effective House. But the main cause of its success in the Senate was the relatively favourable position of the Labour groups on every Senate ballot paper in the Commonwealth. Priority of position on the ballot paper is determined, for individual candidates, by the place in the alphabet of the first letter of their surnames, or for groups of candidates, for instance the Labour three or the United Australia party three, by their average alphabetical numerical order. As voters, particularly the indifferent, the nervous, and the stupid,† whom our highly arguable law of compulsory voting forces to the polling booths, are prone to mark their preferences straight down the paper, a surname beginning with A, and preferably with Aa, may be of more assistance to a candidate than a brilliant record of public service. Indeed, in the eyes of a hard-boiled party boss, it may well be an essential qualification. If the surname of each of the candidates in a group begins with A, the A's are likely to have it, as the Labour group proved in New South Wales on this occasion.

Apart from its inherent interest because of these features, the election of senators was of little concern to the average elector. The candidates were usually complete strangers to him, and he knew that the group with the majority in the House of Representatives determined the policy of the Commonwealth. In point of fact, the Senate is not what the framers of the constitution intended it to be. They conceived of it as a House of states and a House of review.

* N.S.W. is the only State of the five in which Labour is not actually or virtually in power.

† The total number of informal votes in the Senate election was 416,657, or approximately 10 per cent. of the total number cast.

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In practice it has rarely been either. Except when a majority of its members differ in political complexion from the majority in the other House, as they did during the greater part of the *annus terribilis* of 1931, it has tended to be a replica of the more popular chamber. The party system is as well entrenched within its walls as it is elsewhere. Its members attend the party caucuses and respond to the party whip. The calibre of its membership has deteriorated, and interest in its proceedings is slight. With picturesque inaccuracy, Mr. W. M. Hughes once referred to it as a morgue with thirty-six bodies on the slabs.

An important and continuing cause of this declension in prestige has been the method by which the Senate is chosen. It was introduced in 1919 to correct the then prevailing system whereby party regimentation was handicapped and senators were sometimes returned on a minority vote. The purpose of the change, according to the Minister who carried the Bill through the Senate, was to ensure that the will of the majority of the electors in a state should prevail. But it also meant, as was pointed out by the then leader of the Labour party in the Lower House, Mr. Tudor, that "the party with just one more than half the total number of votes will secure the whole of the vacant seats, provided that the people vote solidly according to parties". The soundness of this forecast was admitted by the Ministry, whose leader, Mr. W. M. Hughes, had in fact intimated that when the Bill was brought down it would provide for proportional representation—a method admirably suited to the circumstances of the case. The hostility of a majority of the Government's followers in the Senate resulted, however, in the adoption of the preferential system.

The defects of this system, as applied to Senate elections, in which each state is a single constituency, were clearly stated by Mr. Glynn, the Minister who steered the Bill through the House of Representatives. As a member of the Federal Convention in 1898-9, he had suggested that

the Senate should be elected by proportional representation. As Attorney-General of the Commonwealth in 1910, he had prepared a Bill to that end. Yet, by the irony of fate, he found himself in 1919 in charge of a measure which, as he told the House, did not embody a system such as a democratic government should aim at. "The true democratic method", he said, "is to give each party that share of representation in the Senate to which its numbers, as expressed at the poll, entitle it". He accordingly asked members to regard the Bill as being "of a purely tentative character", designed to prevent mistakes as the result of having one method of marking ballot papers for the House of Representatives—for which preferential voting had been introduced in 1918—and another, that of putting a cross opposite candidates' names, when the voting was for the Senate.

The tentative, temporary measure has remained, however, to produce the most recent electoral paradox. It has been condemned again and again. In 1922, Dr. Page, the leader of the Country party, persuaded the House of Representatives to pass a motion in favour of the election of senators in accordance with the principles of proportional representation. In 1929, the Royal Commission on the constitution recommended that the constitution should be amended to provide for proportional representation for a period of ten years and thereafter until Parliament should otherwise determine. In 1934, Mr. Lyons, himself the representative of a state in which proportional representation has been the governing principle in state elections for 28 years, expressed the opinion that it was "scarcely just" that the Labour party should have obtained no representation in the Senate in the elections then concluded. "There can be no excuse or justification", he continued, "for allowing such a system to remain if it is possible to devise a better one". No attempt was made, however, during the life of the last Parliament, "to devise a better one", conceivably because in 1935 the United Australia party

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convention in Sydney rejected, by a large majority, a resolution favouring the system of proportional representation.*

The devil was ill, the devil a monk would be ;
The devil was well, the devil a monk was he.

Another interesting result of the Senate poll was the putting of a period to the hitherto unbroken parliamentary career of Sir George Pearce. For thirty-six years he has represented Western Australia in the Senate, surviving the vicissitudes of parliamentary fortune in a manner only equalled by his companion in political evolution, Mr. W. M. Hughes, whom, up to date, he has surpassed in aggregate length of Ministerial office. His memoirs, which he now contemplates writing, should be valuable to future historians.

Australia,
January 1938.

* The Prime Minister has already intimated to the newly elected legislature that it is the intention of the Government to appoint a committee to inquire into the present method of choosing senators.

SOUTH AFRICA

I. THE POLITICAL SCENE

IN the South African countryside to-day there are only two subjects deemed worthy of serious discussion—politics and the weather—and they are far more closely inter-related than an outsider would think. Politics are always a dominant interest in the minds of most Afrikaans-speaking South Africans, and with a general election at hand they tend to exclude every other interest. In such circumstances even a devastating drought derives much of its significance from its potential effect on electoral chances. The present summer—the rainy season over most of South Africa—started badly. Hardly any rain fell until December. Then the drought was broken, though not very completely in some parts of the country. But with the New Year there is a threat that drought conditions may recur. At the best the season will be a poor one—it may well be a disastrous one. The politically-minded South African farmer surveys the prospects not only from the agricultural but also from the political point of view. The question of the effect of a serious agricultural setback on the Government's position at the forthcoming general election is ever in his mind. If he is a Government supporter, he prays for rain with added fervour on that account. If he is an opponent, he finds consolation for his losses in the knowledge that for the farmers' sufferings the Government can always be blamed.

The shadow of the general election is looming very large in South Africa to-day. The election will probably take place early in June, but already preparations for it are well advanced. South Africa takes its politics seriously. A

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general election is not something to be hurried. Between the dissolution of one Parliament and the election of the next there has to be a minimum period of not much less than two months, but the campaigning and the manœuvring for position begin long before Parliament is dissolved. To such manœuvring the forthcoming Parliamentary session will be all but exclusively devoted. It is to start later than usual—on February 11—the Government hoping thereby to reduce the period available to the Oppositions for using Parliament as a medium of election propaganda. It will last almost certainly until the end of March. The Government intends to devote it almost entirely to the necessary financial measures for winding up the current financial year and taking a vote on account for the new year, leaving the budget to be introduced when Parliament meets again after the election. So far it would appear that the Government intends to introduce only one legislative measure, a Bill, based on agreement between mine-owners and mine-workers, to improve the already generous benefits of sufferers from miners' phthisis. The Government will no doubt seek to expedite the financial debates as much as it can, but it will make heavy weather, since the Oppositions will have ample opportunities for raising contentious matter over the whole field of Government policy, in order to stir the sentiments of the electorate.

The election campaign itself the Government faces with confidence. It has a substantial record of achievement, and on the whole it has made wise use of the prosperity with which it has been favoured. Moreover, although economic prospects in the countryside are uncertain, the towns are still prospering. True, there has been a succession of stock exchange slumps, and the acute observer can descry a growing volume of evidence of a flattening in the prosperity curve; but for the most part the town-dweller, though somewhat irritated by increases in living costs caused largely by the drought, still has the comfortable feeling that things are going well. Yet the Government,

THE POLITICAL SCENE

like other Governments, has made enemies of erstwhile friends and forfeited much of its initial popularity, and the process seems to have been accelerated of late. Over the whole period of five years the Government has maintained its position extremely well at by-elections. The results of the provincial general elections in 1936 were also very favourable to it. But recently one or two provincial by-elections have indicated a marked strengthening in the position of the Nationalist and Dominion party Oppositions. If only because four-fifths of the present House of Assembly consists of Government supporters, the Opposition parties are certain to win seats at the general election, and, if the course of events during the next few months favours them, their gains may well be larger than the Government and its friends would like to contemplate.

There is, of course, no really substantial prospect of the Government's being driven from office. Its position is still too strong for that, and no one of the Opposition parties can hope to supplant it. Most people agree that it will have at least a good working majority in the new House. If, however, the general election holds out no prospect of immediate political change, it may well set in motion a trend that will bring about, more or less swiftly, a radical alteration in the political scene. The interest of the student of politics in South Africa to-day is concentrated not so much on the election as on what will happen after it.

The present Government of the Union came into being as a result of a coalition between the two old parties of General Hertzog and General Smuts, the Nationalist party and the South African party. These two parties have since been fused into one, the United party. The United party Government has done good work for South Africa, not only on the material side, but also in stimulating the coalescence of the two main elements, Afrikaans-speaking and English-speaking, in the South African nation. Undoubtedly the cause of national unity has been advanced

considerably, and that indeed has been the chief justification of political fusion. Yet within the party itself fusion has been by no means complete; to quite a considerable extent it still represents a coalition rather than a fusion. There have been signs of fissure over personalities and principles, and many people to-day are asking for how long fusion will endure. The indications are that the strains to which it will be subjected during the next few years will be very severe.

There will almost certainly be economic strains. So far the Government has been a fair-weather Government. To-day, quite apart from the danger of war to which we have become almost accustomed, there are clouds on the world horizon, perhaps no bigger than a man's hand, but menacing none the less. If an economic blizzard like that of 1930 were again to strike the world, if at the same time the price of gold, on the present level of which the whole structure of the Union's public and private expenditure is based, were to fall—well, South Africa does not like to contemplate these things, and its Government likes the prospect even less.

But there is also the personal aspect. Save for one change, caused by the appointment of Sir Patrick Duncan as Governor-General, the Cabinet is still as it was in 1933. It is coming to be regarded in the country as an old man's Government, which has long since lost its first fine careless rapture. The cry for new blood is beginning to be heard. General Hertzog is 71 and obviously tiring after fourteen strenuous years of office. His early retirement would appear inevitable, were it not that he seems to be indispensable to his party. General Smuts is 67—young for his age, but his continued vitality cannot be counted on. Three members of the Cabinet are, on grounds of ill-health, no longer able to pull their full weight. One or two others do not command a great deal of public confidence. It is clear that within the next year or two changes will come about, in personnel and in leadership, and these may have

disruptive effects. The problem of the leadership of the United party, after the two Generals fall away, is going to be a very serious one. Only three Ministers can be considered as *imperii capaces*: Mr. Havenga, and the two youngest members of the Cabinet, Mr. Pirow and Mr. Hofmeyr. Of these Mr. Havenga has been an excellent Minister of Finance and enjoys the full confidence of General Hertzog, who would quite obviously wish to be succeeded by him. But, despite his many statesmanlike qualities, he has hardly any personal following, and would almost certainly not be able to hold the party together for long. Mr. Hofmeyr has secured for himself a considerable administrative and parliamentary reputation, but his liberal views on questions of race relations make him *persona ingrata* to most of Afrikaans-speaking South Africa. Mr. Pirow, easily the most spectacular of the three, a man of outstanding ability and vigour, is distrusted by many in the towns, while he is not followed with any real enthusiasm in the countryside. Moreover, Mr. Pirow and Mr. Hofmeyr have clashed before now on questions of race relations. It seems almost too much to hope that they will keep together, if the restraining influence of their present leaders is withdrawn.

The prospects of the United party are therefore somewhat uncertain, and that fact makes the outcome of the general election the more important. At present the United party has the support of most of the English-speaking people of South Africa and probably of half its Afrikaans-speaking citizens. But if at the general election the Dominion party were to make fairly substantial headway, and so give promise of offering a really effective rallying-point for English-speaking South Africans, instead of being just the Cave of Adullam it has hitherto been, the United party may well suffer a landslide of its English-speaking adherents. And the same may happen on the other side. If, moreover, those economic and personal considerations indicated above were to become effective at the same time, the United party might be so sorely depleted as to lose any reason for

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its continued existence. In those circumstances it is quite possible that South Africa will again have to pass through a spell of unadulterated racial politics, such as it has experienced more than once in the past. At the best, that will mean the end of fusion and the casting into solution of South African politics.

At the worst, however, if the United party goes under, if something like the old lines of division re-emerge, and if a Nationalist Government comes into power, the fusion experiment will still have been worth while. The work of nation-building that it made possible will never be entirely undone, and the ultimate goal of national unity will be substantially nearer. Moreover, no Nationalist Government will be able to obtain power without the support of moderate elements. That fact, as well as the sobering influence of responsibility, will effectively curb any tendency to commit the excesses that might be apprehended if one were to have regard merely to the vapourings of an Opposition party during a general election under South African conditions. And as far as purely South African circumstances count as determining factors, it is difficult to see a position arising in which it will really be South Africa's desire no longer to be associated with the British Commonwealth of Nations on the basis of freedom accepted to-day.

II. THE NATIVES REPRESENTATIVE COUNCIL

DECEMBER 6, 1937, was a day of very great importance in the history of race relations in South Africa. On that day there met for the first time a statutory, mainly elective, body, representing all the Bantu people of South Africa, charged with specific duties in relation to legislation and administration. This body is known as the Natives Representative Council, and it has come into being as a result of the enactment in 1936 of the Representation of Natives Act*. The significance of the occasion

* See THE ROUND TABLE, No. 103, June 1936, pp. 535-538.

THE NATIVES REPRESENTATIVE COUNCIL

was marked by the fact that the Council was opened by General Smuts deputising for the Prime Minister. It was described by one of the native members as "the dawn of a new day".

The Representation of Natives Act deprived the natives of the Cape Province of the right certain of them had enjoyed since 1854 of voting along with other citizens in the election of parliamentary and later of provincial council representatives, and it effectively barred the extension of that right to the natives of other provinces. By way of compensation it empowered the natives of the Cape to elect on a communal basis three members of the House of Assembly and two members of the Cape provincial council, it provided for the representation of the natives in all four provinces by four elective senators, and, potentially most important of all, it created a Natives Representative Council, a body whose powers are, it is true, merely advisory, but whose functions have nevertheless been defined in such a way that it may be said to occupy a definite, though subsidiary, place in the constitution of South Africa.

The Council consists of twenty-two members, of whom six are European officials, the chairman being the Secretary for Native Affairs. The remaining sixteen members are natives, four nominated by the Government and twelve elected, the elections being indirect in character. In the Transkei the Bunga or United Transkeian Territories General Council, which has grown from the seed sown by Cecil Rhodes when he introduced his "Bill for Africa", the Glen Grey Bill, in 1894, acts as the electoral college. Elsewhere the voting units are chiefs, and headmen, and local councils, and native advisory boards, and, in certain cases, special electoral committees.

The Council's duties and functions may be grouped under three main headings:

First, it must consider and report upon any proposed legislation in so far as it may affect the native population of the

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Union, and no Bill specially affecting the interests of natives may be dealt with by Parliament until it has been so considered and reported upon.

Secondly, it must, before each session of Parliament, consider and report upon estimates of revenue and expenditure in respect of services specially concerning natives. The estimates dealt with at the 1936 session amounted to about £2,500,000.

Thirdly, it may deal with any matter referred to it by the Minister of Native Affairs, or, on its own initiative, with any matter specially affecting the interests of natives in general.

Will the institution of the Natives Representative Council prove to be an adequate *quid pro quo* to the natives for the common franchise that they have lost, as an actuality in the Cape Province and a potentiality elsewhere? In the debates on the Representation of Natives Act, some friends of the natives, like General Smuts, contended that it would, others, like Mr. Hofmeyr, maintained that it would not. It is of course only an advisory body, but its functions are so defined that it must meet annually and that it must be consulted. Everything will depend on the way in which its advice is regarded by Government and Parliament. That, of course, only the future can reveal. Certainly, if it is to be established as an effective piece of constitutional machinery, a great deal of prejudice in the minds of a large section of the Union's European population will have to be broken down. But equally certainly the Council has had an excellent start. It is clear that the natives, sane and moderate as South African natives generally tend to be, have chosen the members of their first Council very wisely. The proceedings of the first session were characterised by dignity and a high sense of responsibility. The conduct of the debates and the form and matter of the decisions taken were such that they cannot but be regarded with respect. At the conclusion of the proceedings the native members emphasised their appreciation of the knowledge they had acquired of the constructive work in native administration and development which the Government, through its Native Affairs Department, is doing. The Secretary for

NATIVE LAND PURCHASE

Native Affairs, as Chairman, made the following remarks in closing the session :

While it is true that your functions are only advisory, if you continue on the pathway of moderation that has marked this first session, there is no doubt that you will, in the future, exercise a great influence for good upon all matters relating to native affairs.

All who wish well to the Bantu people, and indeed to South Africa as a whole, will join in the hope that this prediction will be fulfilled, and that December 6, 1937, will indeed come to be looked upon as marking "the dawn of a new day".

III. NATIVE LAND PURCHASE

THE purchase of land for native occupation under the Land Act of 1936 progresses steadily. One aspect that has hardly received the attention it deserves is the question of cost. A sum of £10 million has been set aside for the purpose, while the intention of the Act is presumably to add a further 7,250,000 morgen to the reserves. According to the report of the Auditor-General for the financial year 1936-37, farms to the extent of 72,200 morgen had been purchased between September 1, 1936, and March 31, 1937, for £200,560 together with costs of transfer.

Such information as has since appeared does not suggest that later purchases have been at a lower average price, and the obvious question arises, how long the £10 million will last. The Prime Minister, it is true, when introducing the Bill, promised that, if £10 million was not enough, more would be made available and the land would be bought. On the other hand more than one Minister of the Crown has met criticism of undue generosity to the natives by pointing to the difference between this £10 million and the much larger amounts lavished on European land settlement, while one Government supporter—though admittedly speaking with less authority—is reported to have

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aid that money would always be made available to buy land for European settlement, but that the £10 million was all that would ever be spent on the natives.

The official view is, apparently, that when the first allocation of money is spent the Native Trust has only to ask for more. But, in view of the lack of any definite obligation to make a larger amount available, there would still appear to be some risk, if a period of financial difficulty were to coincide with the term of office of a less sympathetic administration, that the completion of the 1936 Land Act might suffer the same delays as that of the Act of 1913. Is there is no particular virtue in the amount of £10 million, and the constant reiteration of that figure in all discussions of the Act may give rise to future misconceptions, might it not be wiser to make a start with acquainting the public to talk of the £20 million that will certainly be necessary at the present rate of progress?

It must not be forgotten that the scheme, while providing the natives with land for occupation, is also of direct benefit to many European landholders, by initiating the purchase of land on a large scale, with a marked rise in land values as a result. The Minister of Lands has stated that the basis of land purchase by the Native Trust is to pay an agreed or assessed fair value for the land, plus an amount for improvements, and add another 20 per cent. to compensate the owner for having to move. But the fair basic value is not easily determined where the purchaser is bound to buy.

Some extreme instances of the difficulty of valuation are given in the Auditor-General's report. In one Crown grant case the Lands Inspectors' valuation of £167 and the Central Land Board's valuation of £534 were made in the same month. A farm that had changed hands in February 1935 for £510 was bought by the Native Trust for £2,900, of which £2,892 represented the value of the land and only £8 improvements. Another farm, which had passed to the seller by way of donation in August 1935, when it was valued at £2,034 and transfer duty was paid on that amount,

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was bought by the Trust in February 1937 for £7,500. Of this £4,407 was the new value of the farm and £3,093 was accounted for by improvements. This transaction formed the subject of a question in the House last session, when it was explained that the increase in price was due, first, to the extensive improvements, and secondly to the general rise in land values.

There seems to be no reason to doubt that this is a perfectly genuine explanation; but that in itself calls for comment. It is beyond controversy that one of the main causes of the rise in land values is the Trust's purchases—which lead to further purchases in other areas by dispossessed farmers—and, assuming that the improvements are in this case fully valued, it shows the range of advance in price which is not considered abnormal. Reports from this area (Pietersburg), tell of a boom in the sale of town sites and a building boom, caused by local farmers who wish to retire on the proceeds of their land sales, while (for what the figures may be worth) the registrations of new motor cars in the division show a rise of over 34 per cent. in the twelve months ended October 1937 over those of the previous twelve months. There does not appear to be anything to puzzle over in General Smuts' statement that the farmers are not reluctant to sell, but on the contrary complain that purchases are not made quickly enough.

IV. MUDDLES IN BUTTER AND MAIZE

PERHAPS the chief function of the Dairy Industry Control Board ("Dicboard") is to secure a remunerative price for butter and butter-fat on the home market by the forced export of all "surplus" butter. From time to time it makes determinations of the amount that has to leave the country, employing the proceeds of a levy of 1d per lb on all butter produced to finance sales at a loss overseas. Unfortunately, the board never seems to have had at its disposal the means of accurately forecasting the amount of

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the "surplus", and this year it was further out than ever. New factors of uncertainty were introduced by the extension of the scheme for supplying state-subsidised butter to the poor—apart from natives—at 6d, 5d and 4d per lb, which brought an almost incalculable factor into the home demand, and by extreme climatic variations.

During the period from November 1936 to February 1937 a heavy production seemed probable and large quantities had to be exported, according to "Dicboard" determinations. The late summer rains affected pasture adversely, and afterwards extreme dryness prevailed. In generally overstocked areas any abnormal lack of rain all too soon creates a drought. From the latter part of March onwards the production of milk and butter-fat became progressively less. In order to attract extra supplies while maintaining its policy of stabilised prices, the "Dicboard" decided to raise the price of butter-fat to the producer by paying a subsidy out of levy funds. This extra inducement could not, however, draw milk from dry cows, though it may have attracted some butter-fat to the creameries which otherwise would have been made into farm butter. The elasticity of demand for butter is to some extent still in dispute. The "Dicboard's" action must, however, have tended to sustain demand in face of diminishing production, until eventually the board took fright and dictated a rise in price to the distributors.

Meanwhile, although as early as August the board had secured powers to import butter, it used these powers as sparingly as possible. As a result an absolute shortage of butter overtook the Union. Creamery butter in cold storage had fallen from 2,299,400 lbs in March to 91,800 lbs in October, and farm dairy butter from 469,600 lbs to 14,500 lbs. In the black month of November, butter cost 4d per lb more than in April, and even so was often unprocurable, shopkeepers having strictly to ration their customers. The board was therefore forced into a more active acquiescence in the import of supplies to make good

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the deficiency. Even so it could hardly be unconscious of the fact that the farmers, its chief constituents, were not impressed with its record of achievement. It did not want to risk the further charge of having allowed the cold storage shelves to be piled up with imported butter when the drought finally broke and South African production was resumed, and it tended to play for safety from such a charge rather than safety for the consumers' interests.

The Imperial Cold Storage and Supply Company, convinced that the dilatory tactics of the board would result in the very thing it hoped to avoid, namely, a disastrous shortage followed by frenzied over-importation, hired cargo space for the round voyage from Southampton and back again for a large consignment of butter, trusting that the urgency of the situation when the butter arrived in Union ports would justify their forethought and lead to the sanctioning of its import. In point of fact public clamour caused sanction to be given when the butter was only a few days out from England. The ironical situation thus emerged, that, although the "Dicboard" was supposed to have been set up as a check on the alleged anti-social activities of such large distributors as Imperial Cold Storage, in this instance the public were undoubtedly inclined to hail the latter as their saviour from "Dicboard"! A further ironical twist is that the independent action of Imperial Cold Storage does not seem to have endeared the company to the Government, although there can be little doubt that public dissatisfaction with the butter situation would otherwise have prolonged harsh memories through the six months' interval before the general election.

The Maize Industry Control Board was also the victim of a wide discrepancy between forecast and actuality. Early in the season it appeared that a record crop might be expected, nearly twice as much as in 1935-6, and in order to maintain internal prices a 66½ per cent. export quota was fixed from June 1937 to May 1938. In other words, two bags out of every three produced had to be exported. As

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the board believed that even this would be insufficient to deal with the surplus, it secured the Government's consent on June 14, to pay a guarantee of 3s. a bag (afterwards raised to 4s. 6d) on all maize exported above the quota. Shippers were unable to find space for all the maize to be offered for export, and freights rapidly doubled. But the drought once more upset calculations, and instead of a surplus it appeared that insufficient maize would remain in the country for drought relief. As a result the export of maize was prohibited in December, with a result wholly ridiculous, for export was compulsory one day and prohibited the next. The consequence of maintaining a high export quota when crops were failing was to create a scarcity even more serious than that of butter, since the natives grow maize for food, not for the market, and were being forced to export their larders. As their voices are neither raised so loud nor heard so readily, less attention has, however, been paid to maize than to butter.

V. THE POLICE AND THE NATIVES

THE report of the commission appointed by the Government to enquire into the causes of the Vereeniging riot * shows that there is no ground for the view frequently expressed from public platforms that communist propaganda was at the bottom of the outbreak. Nor does it give support to the view countenanced by the Prime Minister that the riot pointed to "a deep-rooted and far-reaching hostility, perhaps organised, among the natives towards the white man". The commission finds that the riot was due first and foremost, to harsh police methods symbolised for the natives by the patrol or "pick-up" van; that the stoning of the police on Saturday, September 19, was due to a spontaneous flaring up of resentment at the sight of the van, but that the next day's riot was planned in advance when it became known that the police intended to repeat the raid

* See THE ROUND TABLE, No. 109, December 1937, p. 196.

THE POLICE AND THE NATIVES

that the management of the Vereeniging location by the municipal authorities was defective; and that the administration of the liquor law, which seeks to deprive the native of his beer, has been an important source of friction between the police and the natives.

The main conclusions of the Vereeniging commission are strikingly confirmed by the police commission, whose full report has become available to the public since the last South African contribution to THE ROUND TABLE was written. The commission was appointed as the result of certain scandals connected with the administration of the liquor law on the Witwatersrand, but its terms of reference involved an enquiry into the whole police system of the Union. It has carried out its task with thoroughness and impartiality. While it finds that "the conduct, tone and efficiency of the force as a whole are satisfactory", it has, nevertheless, a number of important criticisms to make, the gravest of which deal with the attitude of the police, or rather of many policemen, towards the natives.

The commission is convinced that there is considerable ground for the hostility with which the natives, and especially the urban natives, at present look upon the police. The latter are not to blame for the unpopular pass laws, tax laws and liquor laws which they have to administer. These laws are bound to be regarded as oppressive by the natives. But their oppressiveness may be intensified by harsh police administration. The commission reports that cases have occurred of the arrest of natives within 50 yards of their employers' premises for failure to produce their passes, "when even the most perfunctory enquiry would have revealed the fact that the natives in question were in regular employment and had the requisite passes at their quarters". It recommends that the patrol van should be used for more important purposes than "the harassing of passless natives".

On the subject of the administration of the liquor law, the commission appreciates the difficulties of a police force in the face of a people almost unanimously determined to

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evade it. The difficulty of discovering illicit liquor by raids carried out during the day has led to frequent night operations.

The entering of houses on these occasions is made the subject of very bitter complaint, the police being accused of breaking open doors when not opened immediately on demand, of invading the privacy of bedrooms, of ransacking furniture and bedding in the search for liquor, of assaulting those who remonstrate and often arresting them for the offence of obstructing the police.

While making due allowance for the fact that the police may be called upon to perform military duties anywhere in the Union, the commission is, nevertheless, emphatically of the opinion that the training of police recruits is too militaristic in character. Too much time is devoted to "drill musketry and other military or quasi-military subjects" and not enough to instruction in police duties proper. Such instruction should do a great deal towards the elimination of the abuses that have been revealed. Among other things the recruit should be taught the importance of tact in the handling of the public, the manner of giving accurate evidence of an occurrence, and the heinousness of concealing any part of the truth even if the truth might convict a brother policeman.

The police force of the Union is to-day mainly of Afrikaner rural extraction. Young men of British parentage are reluctant to enter the police because they fear that they will not be at home among the Afrikaners in the force and that they may be drafted to an area where they will be required to communicate with the public in Afrikaans. It is gratifying to record that the commission has discovered no trace of racialism in the attitude of the police towards Europeans, and that it considers that the relations between the police and the Indian and coloured communities are satisfactory.

Union of South Africa,
January 1938.

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I. THE BUDGET

ON September 29 the Minister of Finance (Mr. Walter Nash) introduced his second budget. It evidenced the same degree of orthodoxy in arrangement and compilation as his first. There were no surprises. While there were no remissions of taxation, the taxpayer learned with relief that at least there were no additions. The principal items of revenue and expenditure were as stated below:—

Revenue.	1937-38.	1936-37.
	<i>Estimates.</i>	<i>Results.</i>
	£	£
Taxation	30,338,000	26,941,000
Interest receipts	2,285,000	2,387,000
Other receipts	2,155,000	1,819,000
Total	£34,778,000	£31,147,000
<i>Expenditure.</i>		
Debt services	11,096,000	10,961,000
Transfer to highways revenue	3,058,000	2,509,000
Other permanent appropriations	601,000	618,000
Annual votes :		
Social services	12,168,000	9,913,000
Other votes	7,505,000	6,674,000
Supplementary estimates and contingencies	300,000	
Total	£34,728,000	£30,675,000
Surplus	50,000	472,000
Unemployment levy and tax	5,180,000	4,261,000

The increase in expenditure falls mainly under three headings: social services, defence and general administration. Social services are estimated to cost £2,255,000 more than last year. The defence vote shows an increase

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of £585,000, and general administration an increase of £701,000. The public works programme calls for an estimated expenditure of £17,367,000, which is to be found partly out of revenue and partly out of loans at interest from other departments. On the revenue side, customs duties are expected to yield £10,500,000, or a little more than £1,000,000 over last year. Income tax is expected to produce £7,500,000, which is £881,000 more than in 1936-37, and sales tax £3,650,000, an increase of £605,000. The public debt, having increased by £5,109,102 in the year, stood on March 31, 1937, at £287,670,200. Of this amount £156,737,017 is domiciled in London, £891,900 in Australia and £130,041,283 in New Zealand.

The Government case was based upon the plea that it had restored wages and salaries, increased pensions, and provided better facilities for the promotion of health and extension of education, at an extra cost of £8½ million; as, however, this comes out of an aggregate of private incomes which has increased by at least £20 million, the people who have paid the extra money are still left with £11½ million more than before the readjustments were made. It is evident, on the other hand, that the Minister has based his expectation of increased revenue upon the single hope that present commodity prices will be maintained. Opposition criticism, both inside and outside the House, has been directed principally to the non-fulfilment of Labour's pre-election pledges to reduce taxation and to the assumption that prices will be maintained. The question is asked, "if prices fall, what then?"

During the whole of the budget debate and the debate on the Land and Income Tax (Annual) Bill the main lines of defence and attack remained unvaried. The Government defended on its chosen ground of social expenditure, while the Opposition attacked from the vantage point of how much the country could afford. "The general buoyancy in revenue", said Mr. Nash in his budget speech, "has enabled substantial improvement to be

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effected in the lot of the less fortunate section (of the community) . . . and until the Government's objective in connection with a more equitable distribution of the national income has been attained the whole of the additional income will be required for this purpose". The Leader of the Opposition (Mr. Adam Hamilton) described the Minister's work as an "eat, drink and be merry" budget. The Prime Minister (Mr. M. J. Savage), responding to Mr. Hamilton in the debate on the Land and Income Tax (Annual) Bill, said:

The Honourable Member asked what we are going to do with the big bad wolf round the corner when it turns up. We are not going to let it turn up. As long as we are capable of producing a decent standard of living in New Zealand, the people of New Zealand are going to enjoy it. . . . We are not going to be harnessed to the chariot wheels of other nations.

The Minister of Finance maintained the same attitude. Opposition speakers, he said, had suggested that taxation should be adjusted to meet the cycles of trade. This meant that the Government was being asked to accept in its entirety the theory of slump and boom. If that theory were accepted, then the country would inevitably have to go to the point where people starved because there was too much production for the purchasing power of the people. The Government would never allow New Zealand to go back to that stage again. Surely it was not beyond the scope of human achievement to provide insulating factors that would protect the people from the impact of another slump, or to devise methods of protecting their purchasing power. That, at any rate, would be the aim of the Government. Later Mr. Nash said: "Mr. Coates has asked how the existing taxes would be carried if prices fell. All that need be said in reply is that the Government would not do what the Opposition had done when in power". Discussing the estimates, Mr. Nash became a little more explicit. The Government's view to-day, he said, was that it was unnecessary for the people

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to suffer again as they had suffered a few years ago. It had never been affirmed, he continued, that what had happened overseas should not happen in New Zealand. Everyone in their senses would admit that if less goods were brought into the country there could not be the same standard of living as previously, but if the commodities brought in fell in the same ratio as the commodities sent overseas there was no reason, even if prices fell, why the standard of living should be lowered. In the absence of any definite statement to the contrary it seems fairly clear, therefore, that the Government envisages some form of economic nationalism, linked with monetary control through the Reserve Bank, as its answer to any possibility of having to face again the experience of the depression.

II. PROTECTION OF INDUSTRIES

THERE is a growing feeling in the country that the halcyon days are coming to an end and that the Opposition attitude towards the budget was more than a mere fulfilment of its duty to oppose. It is no longer possible to deny that the manufacturing industries of the Dominion are facing a difficult period. While, beyond doubt, incomes have in the aggregate increased considerably, the ratio between increased income and increased costs is steadily diminishing. Thus, when the Minister of Finance points out that the people are still left with some £11½ million additional income, he is correct only so far as he is speaking in general terms. On closer scrutiny it appears that from the additional income must be deducted, first, the greater sum paid in unemployment taxation, and that the residue has to bear the increased charges for goods and services. Manufacturing concerns have admittedly benefited by the impetus given to money circulation by the present Government, but since about May or June of this year the situation has undergone a considerable change. Higher wages and shorter hours have generally led to increased costs of

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production. These increased costs have placed the local manufacturers at a serious disadvantage in competition with the overseas manufacturer.

Dominion manufacturing interests are becoming more persistent and more vociferous in their demand for government action. But the hesitation of the Ministry to take the necessary steps can to some extent be understood. If the Government were to give immediate protection by raising tariffs, which would be contrary to the general terms of its policy, it could hardly avoid the unpleasant result of still higher prices. If, on the other hand, it controlled imports either by quota or by licensing, it might easily damage the vital export trade, and in any case would still be faced with the probability of increased prices. That it must do something, and that something very soon, is becoming daily more obvious. The difficulty seems to lie in the fact that the Government's external trading policy is at variance with its internal programme for the expansion of domestic industry. The *Otago Daily Times* of October 13, writing of the footwear industry, reported that

in the Auckland district during the three months ended September 30, over £4,000 was lost by the workers in wages, large numbers of employees having either worked on short time or been put off in that period. Only a few days ago it was reported that an Auckland firm that had never previously had occasion to reduce its staff had put sixty of its workers on short time. Similar conditions obtain in Wellington, where staffs are said to have been drastically reduced and some manufacturers have been compelled to open retail establishments in an endeavour to quit their accumulated stocks.

Ironical as it may sound, the people of New Zealand are beginning to feel the pinch of high wages.

The President of the New Zealand Employers' Federation, Mr. A. C. Mitchell, prefaced his introduction of a review of recent legislation in relation to its effects on business and industry with these words :

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The legislation placed upon the Statute Book of this Dominion by the present Government is all tending in the direction of increased costs and prices. Few would probably seriously question the sincerity of purpose or good intentions of the Government, but there is a large and rapidly increasing volume of public opinion which definitely challenges the statesmanship of the Government policy.

A statement recently issued by the Associated Chambers of Commerce points out that "manufacturers in New Zealand have of late been producing a good deal of evidence to show that the protection enjoyed by them in the past has been neutralised to a considerable extent through increases in costs of production brought about by recent industrial legislation, and that heavy imports of manufactured goods have adversely affected the output of New Zealand factories, led to staff reductions and even imperilled the continued operation of some plants". Discussing the possible remedies, it suggests that one of three things must happen. Either the Government must increase the customs tariff, or it must cut down imports through a system of licensing and rationing, or it must take action that will permit of a reduced cost of manufacture in the Dominion. The objections to the first two methods have already been stated. Yet it is difficult to see how the Government could adopt the third alternative without having to admit at least the partial failure of its policy of high wages and more leisure hours.

It is at the moment in communication with both the United Kingdom and the Australian authorities on trade matters. The value of Australian goods imported into New Zealand in 1932 was £2,681,393; in the eight months ended August 31 last it was £4,334,016. Exports to Australia from New Zealand were worth £1,444,860 in 1932, and in the first eight months of this year £1,279,676. The trading policy of the Government has all along been based on *quid-pro-quo* arrangements. The offer made to the United Kingdom was a market here equal in value to the balance of credits from the sale of New Zealand

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products in England; the recently ratified trade agreement with Germany, which is described below, is on a goods-for-goods basis. Clearly, then, there is an opportunity, indeed a necessity, for some adjustment in the trading relations of these sister Dominions.

The Minister of Industries and Commerce (Mr. D. Sullivan) said during the budget debate that the Government intended to give adequate and effective protection to New Zealand industries. It was not possible, he added, to work a plan out in five minutes. New Zealand has been termed the social laboratory of the world. If the Government can overcome the difficulties experienced by local industry to-day, not all of which are new or can be traced to recent legislation, it will have contributed something of substantial importance to political science in relation to industry.

III. THE GERMAN TRADE AGREEMENT

AS a result of negotiations conducted by the Minister of Customs (Mr. Nash) during his recent visit to Europe, the Trade Agreement (New Zealand and Germany) Ratification Bill was introduced in the House of Representatives by Governor-General's Message on October 6. Urgency was claimed for the passage of the Bill, which was passed the following afternoon. From New Zealand's point of view, the primary object of the agreement, which will expire on September 30, 1939, is to gain admission into Germany for New Zealand products for which there is a market, particularly butter and fruit. Under the payments agreement, which comes into force on January 1, 1938, Germany undertakes to make available for the purchase of New Zealand products the full amount of foreign exchange accruing to her from exports to New Zealand. Provision is made for an extension by each party of "most-favoured-nation" treatment to the goods of the other.

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The imports covered by the new agreement are as follows :—

<i>Goods.</i>	<i>Present Duties.</i>		<i>Proposed Duty on German Goods.</i>
	<i>British Preferential Tariff.</i>	<i>General Tariff.</i>	
	%	"	"
Drugs and chemicals *	20	45	40
Braids and bindings *	20	45	40
Lenses, all kinds . . .	Free	20	20
Artists' materials . . .	Free	25	20
Camera cases	20	50	40
Clocks	20	45	40
Pianos, organs and similar instruments	Free	45	25
Musical instruments *	Free	45	25
Cameras	20	45	40
Photographic goods *	20	45	40
Emery paper	Free	25	20
Paperhangings	Free	25	25
Engines specially suited for cycles	10	40	30
Artificers' tools *	Free	25	25
Field glasses	20	45	40
Builders' hardware	Free	45	25
Kalsomine and distempers in powder form	Free	35	25
Wine, other than specified kinds (per gal.)	4s.	6s.	4s. †

* Not elsewhere indicated.

† Plus 20 per cent., or 6s. per gallon, whichever is the lower.

German goods of the classes mentioned will be exempt from the surtax of 9/40ths of the duty payable on goods liable to the general tariff.

An important provision of the payments agreement is the requirement that the existing procedure of "Aski" accounts, through which export trade has been conducted with Germany, shall be immediately terminated. In future, trade between New Zealand and Germany will be conducted through ordinary commercial channels. The payments agreement is binding for two years, but unless notice of termination has previously been given it is to continue in

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force thereafter subject to three months' notice of withdrawal by either party. Explaining the preparatory negotiations, Mr Nash said :

After having ascertained from the German representatives what commodities they would like to trade with us I approached the United Kingdom Minister concerned to see whether he had any objection to the concessions it was proposed to make. I was informed that there was not the slightest objection, and when our representatives met members of the Board of Trade a similar answer was received; in fact, they were told that the Board was anxious for agreements of the kind to be made. We then cabled to New Zealand to see whether any ill-effects were likely, and were assured that everything was all right. . . . The purpose we had in mind was that, from the credits Germany had here, it should buy wool, butter and apples, but mostly wool. Germany has agreed that, of the credit built up by the sale of German goods here, 25 per cent. of the first £400,000 worth shall be used for the purchase from us of butter, together with 50 per cent. of anything in excess of £400,000. The second point is that 5 per cent. of the first £400,000 worth of credits created must be spent in the purchase of apples from New Zealand, while to the extent that this figure is exceeded 20 per cent. must be spent on apples, with a limit of £60,000 in any one year. We may substitute 5 per cent. of pears.

The price at which Germany would purchase New Zealand butter would be the London parity at the time of the purchase. Germany is to go on the London market during the three months of the year when New Zealand supplies are in greatest quantity.

Generally speaking, the agreement has been accepted without much enthusiasm. It is recognised that the possibilities are somewhat limited and that no great expansion of trade can be expected as the outcome. Opinion is inclined to accept the arrangement for what it is worth, and to wait and see how it works out in practice.

IV. POPULATION AND MIGRATION

THE full analysis of the 1936 census is not yet completed, but the details so far available are sufficient to show that the problem of population in New Zealand is serious. A comparison of the total population figures recorded at

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the last two censuses * is disquieting. Inclusive of Maoris the inter-censal increase in the decade 1926-36 was 165,671. Excluding Maoris the increase was 147,015, or 10.93 per cent. This is equivalent to a mean annual rate of increase of only 1.05 per cent., and is the lowest yet recorded. The decline is partly due to a fall in the rate of natural increase and partly, though to a much lesser extent, to a decline in the net migration increase. The general trend is demonstrated in the following official figures : †

Annual Average Percentage Increase

1906-11.	1911-16.	1916-21.	1921-26.	1926-31.	1931-36.
2.60	1.57	2.31	2.05	1.40	0.70

The birth-rate in 1935, the last year for which official figures are available, was 7.92 per thousand, and is again the lowest on record. It has been falling steadily over the last sixty years. Serious changes are taking place in the age constitution of the population. Whereas in 1921 the proportion of the population under ten years of age was 21.44 per cent. and the proportion sixty years or over was 7.48, the 1926 census revealed these percentages as 19.92 and 7.84, respectively. The corresponding figures for the 1936 census are not yet available, but there can be no doubt that the difference will be still more marked. It is clear that the position of New Zealand's population is already highly critical. Calculations of net reproduction rates, based upon the Kuczynski method,‡ show that replacement is no longer taking place in the Dominion. The total area of New Zealand, including inland waters, is about 103,415 square miles. The density of population at the 1936 census was, therefore, 15.22 persons per square mile, inclusive of Maoris. For the North Island the figure was 22.99 and for the South Island 9.40.

* A census was due in 1931, but was abandoned because of the financial conditions caused by the depression.

† Population Census, 1936, Vol. 1—*Increase and Location of Population*.

‡ See THE ROUND TABLE, No. 106, March 1937, p. 310.

POPULATION AND MIGRATION

During the period 1921-25, arrivals in New Zealand exceeded departures by 49,988; for the period 1926-30 the excess was 24,627, but from 1931 to 1935 departures exceeded arrivals by as many as 9,918. Governmentally assisted immigrants arriving in New Zealand during the last decade were as follows :—

1926.	1927.	1928.	1929.	1930.
10,766	5,899	2,220	1,878	1,405
1931.	1932.	1933.	1934.	1935.
489	77	9	1	0

Of recent years the subject of migration has been among the political "untouchables". No party has dared to include any scheme for the resumption of immigration as part of its general policy. The reason for this evasion of a major problem is that there is a public belief that many of the present economic difficulties facing the Dominion are traceable to the large influx of immigrants during the immediate post-war years when there was a lack of proper organisation, supervision and control. It is extremely doubtful whether any party will be prepared to tackle this problem until there are definite signs that public opinion has swung in favour of a resumption of immigration; the risk of political unpopularity is too great a deterrent. Despite the alarming position revealed in the last two censuses, the majority of people are still strongly opposed to any immediate resumption of migration.

Nevertheless, over the past few years increasing attention has been given to this question in the press and in the utterances of public men. Early in this year the Hon. W. E. Barnard, Government member for Napier and Speaker of the House of Representatives, formed an organisation known as the New Zealand Five Million Club. The objects of this organisation are threefold: first, to present the facts in a clear and intelligible manner in the hope that with a better knowledge of the position the public will adopt a more reasonable attitude; secondly, to make

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a careful study of the question of the falling birth-rate, with a view to finding some way in which this threat to national welfare can be overcome; and thirdly, realising that some time must elapse before there can be any hope of arresting the decline in the birth-rate, to examine the possibilities of increasing the population by means of organised migration. Since its inauguration the Five Million Club has established branches throughout the country and its membership is increasing at an encouraging rate, thereby demonstrating that public opposition is slowly being overcome. The members are drawn from all shades of political opinion and all walks of life.

The extent to which public thought is turning upon this subject was again illustrated by the fact that the Government member for Kaiapoi, Mr. L. M. Williams, pointed out during the budget debate that

we are building public works, new railways, new highways, all on the assumption that they will be needed, but if the process that has been going on during the last 15 or 20 years continues the time will come when these highways will be desolate and the houses we are building untenanted. It is a matter of mathematical certainty that unless there is an increase in our birth-rate the population of New Zealand will rapidly decline as has the population of many older countries.

It was all the more significant that this utterance should have fallen from a member on the Government benches, since Labour is inclined to be more hesitant than its opponents on this subject, owing to nervousness as to the reaction among trade unions.

Some indication of the attitude of the Federation of Labour is gained from its reaction to the recent importation of skilled carpenters from England and Scotland by the Fletcher Construction Company. This concern is one of the building companies engaged in the erection of houses under the government housing scheme, and it has also several contracts for the construction of public and commercial buildings. Owing to the temporary shortage of skilled artisans in the building trade the company has

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recruited men from England on an understanding of three years' employment. The total number to arrive under this arrangement is one hundred. Protests against the immigrants' "getting more favourable terms than New Zealanders, in being given three-year engagements, if such a contract really exists", have been voiced by the Secretary of the Christchurch Branch of the Amalgamated Carpenters and Joiners Union. The question exercising the minds of local union officials is whether it will become necessary to put off New Zealand carpenters if the building trade should become slack during the next three years, and thus to discriminate in favour of the immigrants by reason of the terms of engagement. There is some justification for this attitude on the part of the Carpenters Union, and it may well be that if such a position does arise opposition to any resumption of immigration will harden considerably. This experiment of the Fletcher Construction Company may become a test case. There is no doubt that the Trades Hall will watch the position very closely, and will be prepared to use all its influence if any hardship, real or imagined, can be claimed by the New Zealand worker.

Although not officially represented at the recent conference on migration convened by the Lord Mayor of London, the Dominion took some part in the deliberations through the presence of certain New Zealanders who were in England at the time and who accepted an invitation from the Five Million Club to represent it. While it cannot be expected that New Zealand will embark on any substantial scheme of immigration, either now or in the immediate future, the possibility of some resumption reasonably soon is distinctly more promising than it was two years ago.

V. RECENT LEGISLATION

ALIVELY debate ensued when Government introduced, on October 20, a Broadcasting Amendment Bill to separate the commercial broadcasting service from the

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National Broadcasting Service and to authorise the appointment of a Controller of Commercial Broadcasting. Some five years ago broadcasting was established as a national service on the lines of the B.B.C. Control was vested in a Broadcasting Board. In 1936 Government abolished the Board and placed broadcasting under the direct control of the Minister of Broadcasting. The position of Controller of National Broadcasting was filled by the appointment of Professor Shelley of Canterbury College, University of New Zealand. Professor Shelley stated that his aim would be to utilise broadcasting in the best interests of culture, education and entertainment. The Government, pledged to establish commercial broadcasting, purchased a number of privately-owned stations and appointed Mr. C. G. Scrimgeour, who was to be nominally under Professor Shelley, to take charge of the new commercial service. It was obvious from the start that the aims of the Controller of National Broadcasting would to some extent come into conflict with the more popular programmes considered necessary for commercial purposes by Mr. Scrimgeour. While suggestions of disagreement between Professor Shelley and his subordinate have been denied, the difficulties arising from contrasted purposes can well be imagined. The only practical solution was the separation of the two services.

Opposition members took strong exception to the Bill on the ground that there would be costly duplication of staff and equipment, and that the new service was tending to lower the standard of broadcasting in New Zealand. The Opposition demanded a Royal Commission to enquire into various aspects of the Government's broadcasting policy. Strong exception was taken to the appointment, without calling for applications and at a generous salary, of a man who had come into prominence chiefly by his flouting of the regulations made by a previous Government. Mr. Scrimgeour, at the time of the last election, was conducting a semi-religious broadcasting service known as

RECENT LEGISLATION

the Friendly Road, which was supposed to be non-political, from an Auckland station. After repeated warnings that political propaganda either direct or indirect was not permissible, the Government of the time just before the election "jammed" the station. In demanding a Royal Commission the Opposition was anxious to dispel an unsavoury lingering of false accusation against the then Minister of Posts and Telegraphs (Mr. Adam Hamilton) and to clear up certain ambiguities in the business associations, agencies, and financial transactions connected with commercial broadcasting and the new controller. The Government, however, refused a Royal Commission on the ground that the Opposition could not bring forward any specific charges that would justify a public inquiry, and the Bill was finally passed.

The Petroleum Bill introduced by the Minister of Mines (Mr. P. C. Webb) vests in the Crown the ownership of all petroleum existing in its natural condition on or below the surface of any land in New Zealand. Prospecting or mining for petroleum can be carried on only under licence issued by the Minister. The Government is empowered to acquire petroleum, products of petroleum or petroleum works when necessary in the public interest. There was no opposition in principle to the Bill, as it is generally recognised that oil is a natural product over which the State is justified in exercising a strict control.

The Government fulfilled an election undertaking when it introduced legislation providing for the reversion to a three-year parliamentary term and a new procedure for voting in Maori electorates. The Electoral Amendment Bill had a speedy passage through the House.

The Primary Products Marketing Amendment Bill was introduced on December 1 for the purpose of regulating—though some would prefer to call it socialising—the internal marketing of dairy products, fruit, honey, eggs and other foodstuffs specified from time to time by order in council. The measure is a logical sequence to the Primary Products

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Marketing Act controlling the export sale of butter and cheese. The Bill provides for the subdivision of the Primary Products Marketing Department into the Dairy Products Export Division and the Internal Marketing Division. Prices may be fixed in respect of any defined area or for the whole of New Zealand and may refer to either wholesale or retail prices at which any foodstuffs covered by the legislation may be bought or sold. In addition, margins may be fixed within which the foodstuffs concerned may be bought or sold, and general conditions may be laid down to govern the sales. Margins may be fixed, as maximum prices and minimum prices, or by reference to the amounts or percentage by which the selling prices may exceed the buying prices. There is a requirement that price margins or conditions of sale fixed by the Department must be notified to the persons directly affected.

The principal Act imposes a penalty for the sale of dairy produce except at the fixed price. This provision, with its penalties ranging from £200 in the case of an individual to £1,000 in the case of a company or corporation, is extended to cover the sales of other foodstuffs now to be brought under the legislation. Under the Bill regulations may be made, if necessary, authorising the Department to take at fixed prices any of the foodstuffs concerned, and to export the surplus not required for local consumption. Regulations may also be made authorising the Department to control the export of foodstuffs by any other person or authority. The Internal Marketing Division is to have a separate account at the Reserve Bank, with the same overdraft provisions as apply to the Dairy Industry account. The export or the local price for dairy produce fixed for any one season or for any specified period may now be varied from time to time by order in council. Any variation increasing the price to be paid for dairy produce may be made to operate retrospectively in regard to the price to be paid by the Department, but will not be

LORD RUTHERFORD OF NELSON

retrospective with regard to the price paid by any other person. No variation reducing the price for dairy produce will apply in cases where there is a definite prior obligation to pay a higher price.

The attitude of the Opposition to this Bill was very similar to that adopted at the time of the introduction of the principal Act, and the Government was accused of dictatorial tendencies resembling those of Russia. Nevertheless, the Bill now before the House is a logical sequence to the principal Act, and a natural element in the Government's policy of endeavouring to obtain orderly marketing and eliminate wasteful competition. At the same time one is left wondering whether there is not a further reason for the introduction of the Internal Marketing Bill. There is some justification for believing that it is part of an attempt to control the rising cost of living by fixing the price of foodstuffs at attainable levels and thus retaining the support of that powerful voting factor, the housewife, whose sympathy has been alienated by the higher prices due, to a measurable extent, to the recent industrial legislation passed by the Government.

VI. LORD RUTHERFORD OF NELSON

THE passing of Lord Rutherford of Nelson was an irreparable loss to the world of science. To the Empire it was the passing of yet another man who has by his work illuminated its history. To New Zealand it was a deeply personal bereavement. That Lord Rutherford should find his last resting-place in Westminster Abbey is but a just recognition of the immense benefits he has brought to humanity during his lifetime, and is an honour which New Zealand acknowledges with gratitude for one of her most brilliant sons.

New Zealand.

December, 1937.

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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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No. 112. SEPTEMBER 1938 Price 5/-
London: MACMILLAN & CO., LTD.

Printed in Great Britain and entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec. 397, P.L. and R.).

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EMPIRE SECURITY AND NATIONAL SERVICE

I. AN ISSUE FOR THE COMMONWEALTH

FOR many months, it seems, the world has been living on the brink of a precipice. Although the facts are not all known, there is a very widespread belief in the western countries that general war was averted by a very narrow margin at the week-end of May 21, when Czechoslovakia called up reservists as a precaution against a German threat of whose reality she at least had no doubts. If indeed German policy was then swinging in the balance, the fact that caution prevailed was obviously due, first, to Czechoslovakia's having made it clear that she would fight for her independence, secondly, to France's plain declaration that she would honour her obligations to her ally, and thirdly, to Great Britain's assurance to Berlin that she must almost inevitably be involved in a general war, on the side of France. Since that critical moment tension has been somewhat easier and time has been gained. But the issue has not yet been solved, and the question whether or not it leads to war will turn above all upon the strength of the western Powers in will-power and in defensive preparedness. It is one thing to be able, in the end, to win a war: it is a far better thing to be able to prevent war by a readiness for just dealing combined with resolute strength when injustice is threatened.

The nations of the British Commonwealth aim at the second of those objectives. Their needs in respect of defence preparation must be the same, however, whether their purpose be taken as winning or as preventing war; for

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the deterrent power of their strength depends on its capability of winning a war if ever war comes. This is all the more true when military technique, including air power, has reached its present stage; for by far the best chance of victory for the Commonwealth's potential enemies lies in the swift and decisive blow, delivered long before there is time to improvise forces of defence and counter-attack not already prepared.

Here lie two vital lessons for the Commonwealth. The first is that co-operation in imperial defence is not to be reckoned in terms of what each member nation might be prepared to do, given the same kind of opportunity to make up their minds as they had in 1914 and build up their defence forces. Such efforts may indeed serve to win the last battle, if we survive the first; but the promise of them can be of little or no avail in preventing war by deterring aggressors who believe in the knock-out blow. And the strengthening of peace, rather than the winning of war, is the prime purpose alike of British rearmament and of imperial defence co-operation.

The second lesson is that more than ever the security of the Dominions depends on the ability of Great Britain to withstand assault. She is still by far the most powerful, but she has become the most vulnerable, nation of the Commonwealth. Were her power to snap under sudden and concentrated attack, the fate of her smaller fellow-members would not be enviable. It is therefore a matter of vital concern to them that she should be strong to withstand such an attack, strong more especially in defence against air bombardment. Hence the nature of her defence preparations in this field is a matter of much more than national import. The whole Commonwealth anxiously watches her measures to build up material anti-aircraft defences and above all to organise her civil population to meet the danger that threatens them.

THE GOVERNMENT'S POSITION

II. THE GOVERNMENT'S POSITION

ON March 23, the Prime Minister replied in the following terms to a parliamentary questioner who asked him whether he intended to introduce a system of universal national registration, allocating in advance the military or civilian duties which each citizen according to his capacity would, in the event of war, be called upon to perform:

A scheme for compulsory national registration in time of war, if the Government of the day should so decide, has been in existence for some years. Proposals for compulsory registration in peace-time have also been considered, but on balance the advantages to be derived therefrom have been found to be outweighed by the difficulties and opposition which would have to be surmounted.

This statement disappointed those who felt that if world war broke out the crisis might be upon us immediately, almost before a scheme of national registration could be taken down from the pigeon-holes, and certainly long before there was time to train the citizens in their duties. Yet it indicated that the Government were alive to the need for allotting everyone his job, whether military or civil, once war came. That seemed at least the beginning of wisdom.

Speaking in the House of Commons on May 30, the Minister for the Co-ordination of Defence went a little further than the Prime Minister in the same direction. While the Government could not be expected, he said, to reveal what would be the policy in war-time in regard to the use of man-power, the plans envisaged the setting-up of a competent authority which would allocate, according to the age and capacity of each person, a suitable position for that person to occupy. Although Sir Thomas Inskip added that nobody could escape from the obligation that would thus be placed on him by choosing a position in peace-time—apparently a warning against enlisting in civilian services merely in order to evade military conscription—his words were naturally taken as meaning that

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those civilian services would be recruited in war-time by means of compulsory allocation of duties to everyone. A necessary corollary of this would be that men or women trained as firemen or for other air raid duties, or skilled workers in trades essential to the prosecution of war, would if possible be retained in those functions rather than trained anew for military service.

Challenged in the House two days later, the Prime Minister put a quite different gloss on his colleague's remarks.

It is not correct (said Mr. Chamberlain) that any plans prepared by the Government include the conscription of man-power in a state of war, but plans are in existence for compulsory military service in that event. I may say that this is no new departure. The outlines of a scheme, in the form of a draft Bill, providing for compulsory military service on the outbreak of war have been in an advanced state of preparation since the year 1922, and have been the subject of consideration by successive Governments since that date.

No such scheme has been worked out for the application of compulsion to industrial or other non-military service, although from time to time consideration has been given to the question how to make the most efficient use of the nation's man-power in war-time. While it is not possible to foretell the full extent of the demands that may have to be made upon the personal services, material resources, or the wealth of individual members of the public in a major war, it is certain that any proposals of the kind would have to receive the assent of Parliament and to be based on the recommendation of the Government of the day.

The Government's policy may thus be summarised as follows. There is to be no compulsory service, military or other, in peace-time. There is not even to be in peace-time a compulsory national register (and nothing has been heard from official quarters of a voluntary national register). On the outbreak of war, there will probably be military conscription. There will also be a system of compulsory registration, but as there are no plans for compulsory service apart from military service a man will not (according to present proposals) be compelled to serve anywhere

THE GOVERNMENT'S POSITION

if he is not compelled to serve in the army, navy or air force.

There may be a more logical basis for this scheme of policy than appears on the surface, and the whole truth about the plans now lying fallow may not yet have been told. An advocate for the official attitude might claim that men conscripted for military service can in fact be used for other purposes, such as air raid precautions, or that a plan for immediate military conscription would at least avoid the delays and confusion that characterised the building of the huge British army from a small nucleus in the world war. Nevertheless, the Prime Minister's statements must have provoked in everyone's mind, both in Great Britain and in other countries whose fate may depend on her defensive readiness, a number of highly disturbing questions. Is she likely to want in war-time an army of a size and kind that can be obtained only by military conscription? If such an army will probably be wanted in war-time, should not preparation be made for it in peace-time, at least to the extent of greatly expanding the existing professional army? If there is to be compulsory military service when war breaks out, must there not also be compulsory service for air raid precautions (A.R.P.) and for vital industries, in order on the one hand that skill may not be wasted and on the other that those who through age or sex or disability escape military conscription should not fail to make their proper sacrifice and perform their proper rôle? Indeed, will not the compulsory enrolment of every citizen for such purposes be essential for Great Britain's security in war, whether or not a conscript army is required? And is not preparatory training in peace-time just as necessary in this field as in the military field? In brief, once we discard the idea of war as an "away match", a professional contest fought far from British shores, and accept the truth that any major war of the future will be a war between whole nations, are we not inexorably led to the conclusion that a country in Great Britain's

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position needs as a defensive minimum a universal national register in peace-time, with compulsory training for those whose allotted duties require it?

III. CONSCRIPTION AND THE ARMY

THE first of the above questions is the most difficult to answer. At present, with the system of voluntary recruitment, the peace establishment of the British regular army is 227,000 officers and men, of whom some 90,000 are normally stationed abroad. The latter figure includes some 55,000 officers and men of the British army in India, who serve there for the purposes of India and cannot be sent elsewhere without the consent of the Indian Government. The strategic reserve is organised from 137,000 troops normally stationed at home, and there are in addition about 198,000 regular and supplementary reservists, making a total of about 300,000 as potential trained material for an expeditionary force. In 1914 the comparable number was 348,000. Allowing for a proportion of raw men, and for those who would be required to reinforce the territorial army in home defence, the maximum size of the potential expeditionary force available on or immediately after the outbreak of war is five divisions. In practice, it is doubtful whether even that number could be mustered at strength for actual foreign service. And this miniature expeditionary force is all that we have ready for action in the Near East or any quarter of the oversea empire where reinforcements might be required, let alone a possible European theatre of war.

Behind the regular army stand the territorials, whose present establishment is 203,899, organised in 14 divisions. Two of these territorial divisions, with 43,000 officers and men, have so far been organised and trained for anti-aircraft defence of the British Isles. On June 28, however, the Secretary of State for War announced that three more territorial anti-aircraft divisions would be organised,

CONSCRIPTION AND THE ARMY

raising the numbers allotted to this duty to 100,000. In addition, anti-aircraft defence is being brought under unity of command with the searchlights and the fighter squadrons of aircraft. While it must be many months before these new anti-aircraft divisions can be brought up to strength, trained and equipped with modern armament, the move is highly significant. Its effect is to make anti-aircraft defence the main duty of the territorials, absorbing the larger part even of an expanded territorial army.

This in itself is a sound and logical plan. Yet the problem of the purpose and training of the rest of the territorials remains to be faced. The divisions are organised on the same lines as those of the regular army (that is to say, with three brigades of four battalions each, and the correct complement of artillery, engineers and administrative services). This seems to imply that they are intended to serve the same purpose. But of course they lack the intensive training necessary for troops required to form an expeditionary force and face a powerful enemy. As far as equipment is concerned, priority has naturally had to be given to the regular army. The territorials are well equipped with the successful weapons of 1914-18—rifles, Lewis guns, Vickers machine guns, 18-pounder field guns—but not with tanks or with the newer weapons, the Bren machine gun and the 25-pounder field gun, now in use in the regular army. Given a period of intensive training, they could become a most valuable force, especially in theatres where tanks were of little service. One possible purpose that the Committee of Imperial Defence may have in mind for the territorials is to relieve oversea battalions of the regular army, which would then be available to form new expeditionary divisions. This assumes, however, both a considerable interval for training and sufficient command of the seas and air to make large-scale troop movements feasible. The latest developments have suggested that the Government may be thinking of the territorial

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army in a different light. If at least one-half and possibly a greater fraction of its strength is to be assigned to anti-aircraft defence, the remainder might be barely sufficient to fulfil in war-time the other duties at home requiring a disciplined force but not very highly trained soldiers equipped with the most up-to-date arms. If this is so, then the non-specialised territorials are to be regarded, first and foremost, as a kind of strategic reserve for home defence, with relief for the oversea garrisons as a possible second duty if circumstances permit.

It therefore appears that for a continental land campaign Great Britain would not have at the outset an expeditionary force of a size that could materially influence the course of operations conducted by two opposing armies each organised on the basis of national conscription. With a smaller strategic reserve of regular troops than in 1914, she has greater responsibilities outside Europe, especially in Egypt and the Near East and for the defence of her Asiatic strongholds. The theory that her future contribution to a war with European allies should be confined to naval blockade, air power, and financial and industrial reinforcement thus seems already to have been translated into practice in the size and organisation of the army. That theory is based partly on historical grounds—the alleged waste of British man-power in the war of deadlock in France and Flanders—and partly on strategic grounds, of which the most important are the supposed impregnability of the Maginot line and of its German counterpart, and the difficulty of transporting a large-scale army through the bottle-neck of the Channel ports under continuous air attack. Those who hold the theory also claim that, in view of Britain's paramount need for decisive strength in the other two arms, a large land army must rank very low on the list of priorities for allotting a limited total of money, man-power and industrial capacity.

It is not the purpose of this article to examine the more technical arguments on one side or another of this

CONSCRIPTION AND THE ARMY

controversy. The point here to be stressed is that the arguments against a large continental expeditionary force do not cease to apply as soon as war has begun. The mobilisation and transport of a relatively small force across the Channel at the outbreak of war is certainly no more difficult than the assembly, training and eventual despatch of a conscript army, unless in the meantime the mastery of the air has been securely gained. Yet this course seems to be implied in the Prime Minister's statement on conscription. It is reasonable to conclude that his view of the probabilities envisages the defeat of hostile air power in the relatively early stages of any future war, and the protraction of the war for a period long enough to enable a citizen army to be organised, trained and equipped. That period would be perhaps two years.

Such a scheme of probabilities implies two main assumptions: first, that the creation of a conscript army will eventually be the most necessary and decisive form of British effort in a world war; secondly, that British power of resistance to air attack and of counter-attack by air will be sufficient both to prevent the knock-out blow and to preserve sufficient mastery of the air to enable an army to be created. If the first assumption is correct, surely it would be wise for Great Britain to prepare in peace-time with a view to making that military effort at the earliest moment at which it can effectively be made in war. In other words, if she is likely to need a big army at any time in a world war, she needs at least the nucleus of one now. If the second assumption is to be proved correct, surely it will be necessary for her to make as certain as she can, by peace-time preparation, that she is in fact able to defend herself adequately against air attack while she is girding up her loins for her military effort.

No one can tell what the next war will be like—where the enemy's blow will be struck, what his strategy will be, what allies we or he may have, how powerful the latest weapons may be in offence or defence, what new weapons

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or new tactics may be invented. That is why any rigid plan for what we or any other country will do or will not do in the event of war is impossible. It is idle to hope that Great Britain can limit her responsibilities in advance, that she can decide to-day: "We will fight with this arm but not that, we will give our allies help here but not there, we will never again send a mass army abroad". Once a war has begun, every effort of which the nation is capable must be made in order to win it, and to win it quickly if possible. If circumstances dictate for Great Britain a military kind of effort, then that is the kind of effort that she will have to make, whatever preconceived notions may be held of the proper and traditional form of British intervention. It is a commonplace that her vital interests are bound up with the independence of the Low Countries and the security of France. If a British army were capable of turning the scale in defence of those objectives (which the countries most nearly concerned undoubtedly conceive in terms of land warfare), then the British Government and people could not fall back on their traditions or their preferences to excuse themselves from protecting their vital interests.

Since no one knows what would happen if there were another great war, the best that Great Britain can do in peace-time is to prepare herself to defend her most plainly vulnerable joints, and over and above that to maintain a flexible but ample reserve of defensive power which could be applied with the least delay where it would have the most decisive effect. No one can pretend that, within its own field, the present British army system properly secures the second of these two needs, or that war-time conscription can compensate for defects of preparation in time of peace.

IV. UNIVERSAL NATIONAL SERVICE

OF the vulnerable joints in the defensive armour of the British Commonwealth, it is enough here to speak of those that concern particularly the United Kingdom.

There are others where the flesh of the Dominions comes nearer to exposure, but they are outside the scope of this article. The United Kingdom's greatest danger-points are two: her dependence for life upon sea-borne commerce converging in the narrow waters around her shores, and the vulnerability of her congested populations and industries to attack from the air.

The first of these danger-points is protected primarily by the British navy. The twin purposes of the navy are to guard British commerce and sea communications against surface or submarine raiders (and through its air arm against air raiders too) and to provide a sufficient concentration of strength to combat and destroy a counter-concentration by an enemy. This superiority of concentrated strength gives command of the seas in the areas where it exists; without command of the seas the commerce could not be protected, though the enemy's commerce and communications could still be raided. Thus the naval defence of Great Britain's oversea lifeline requires the maintenance near home of a battle fleet as well as a large body of cruisers and destroyers. The security of that lifeline depends also on the defence of the ports in which cargoes are discharged. This is a task for the coastal and anti-aircraft defence branches of the regular and territorial armies. In addition, steps are being taken to reduce the country's economic vulnerability by the storage of food-stuffs and raw materials.

Though no doubt improvements can be made, notably in the anti-aircraft defences of the ports, this weak joint is to-day relatively well secured in comparison with national means and the forces likely to be available to an enemy. No such optimistic judgment, however, is possible about the other weak joint. The existing defects of A.R.P.* are not such as will cure themselves by the lapse of time; for many of them are due to the inadequacy of the whole

* The present position of A.R.P. is discussed in another article in this issue.

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organisation to its enormous task. This task is nothing less than to transform the whole civil population and the whole industrial and commercial structure of the country into an instrument of self-protection and of passive defence against the danger of constant and ruthless bombardment from the air. Of course the urgency and magnitude of the danger, other things being equal, are likely to grow less as measures of active defence, in the shape of anti-aircraft guns, balloon barrages and other special devices, fighter aeroplanes and a bombing force for counter-attack, grow more advanced. But even if the metropolitan air force had already reached its expected 1940 strength, and even if the whole of the five anti-aircraft divisions of territories were already trained and equipped with the new 3.7 in. guns, the problem of organising industry and commerce and the civil population would remain. For no system of defence yet known can altogether prevent the bombers from penetrating the screen and discharging their load, though perhaps with no great accuracy.

Experience in China and Spain, it is true, has not supported the view that the bombing of civil populations soon destroys a nation's morale. The theory of "the knock-out blow below the belt" has yet to be proved. But there are a number of reasons why the analogy of China and Spain should not be too closely applied to future possibilities in Great Britain. In the first place, the scale is completely different. Cities of perhaps a million inhabitants have been bombed by occasional flights of a score of aeroplanes or fewer. That is very different from the almost continuous bombing of a city of eight million inhabitants, day after day, by the concentrated air power of the most highly armed nation in the world. In the second place, Great Britain has a far more highly complex and integrated economic life than either Spain or China. The great cities of England and Scotland, separated from their main food supplies not merely by scores but by thousands of miles, would perish if the economic chain were to break

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at any link. Moreover, Great Britain's capacity to conduct a war depends essentially on the maintenance of her munitions industries in full production. Somehow, if she is to stand up to continuous air attack, those essential economic services must be organised to continue without serious interruption in spite of the bombs. In the second place, even Spanish and Chinese experience shows how air attack on towns may induce a mass efflux of people to points which they hope are safer. Thousands of refugees fled from Madrid and Barcelona, from Shanghai and Nanking and Hankow. They streamed desperately out into the country with little or no knowledge of their destination. Some of them were bombed or machine-gunned on the congested roads. If anything on a comparable scale happened in London with its eight million inhabitants, there would be chaos. It need not happen, even in the worst of contingencies, if the people of London are prepared and organised beforehand. That, indeed, is the best way of ensuring that the worst of contingencies will never come to pass.

Controlled and partial evacuation may well be part of the air defence plans of London and other great cities, but uncontrolled evacuation would be fatal. Control requires not only a plan fully prepared beforehand but also a very considerable force of trained men and women to put it into effect, by marshalling the people for evacuation, patrolling the roads, preventing unauthorised movements, driving transport and so on. Still more trained people, with a highly organised plan behind them, are required to stand ready to supply the evacuated people with their needs in their camps or billets. All this in addition to the fire-fighters, first-aid and ambulance men, gas decontaminators, air raid wardens, and the rest who would be required for other branches of A.R.P.

The numbers wanted for these services, great as they are, could perhaps be obtained in the end by the present methods of voluntary recruitment under the local authorities,

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provided that the crisis can be postponed long enough and that publicity and organisation are improved. But the problem does not end there. The army reserve, the naval and air force reserves, the territorials, the A.R.P. services and special constabulary, all take their toll of the nation's man-power after the regular forces have been drawn off. There is already a danger of their overlapping, a result that is only very crudely avoided at present by settling age-limits below which recruits will not be accepted for certain civilian services. What is even more serious is the danger of recruiting for the armed forces and A.R.P. the men who would be most needed in their own skilled jobs, or in allied industrial jobs more important to a war-time economy. Military conscription with exemptions is no answer to this danger. The most it can perform is the negative elimination from military service of those within the age-groups concerned who can show that they are key men in industries necessary to the prosecution of the war or to the maintenance of the national livelihood. It cannot touch women or over-age men. Still more vital, it cannot begin to perform the positive allocation of people to the posts in which they are best fitted to serve in a nation at war.

Nothing less will suffice. In the event of a general war, there will have to be an immense re-direction of the nation's economic life, some industries being drastically restricted and others greatly accelerated. This requires a transference of labour-power such as the ordinary open-market process cannot possibly achieve under war conditions. Government compulsion itself is inadequate unless it is fortified by prior knowledge of the available resources of labour and prior plans for its movement and housing. In this light, recruitment for A.R.P. is only part of a wider problem, and the question of military man-power likewise falls into a secondary place. For if there were to be instituted at once a compulsory national register, with the corollary of compulsory training for

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those whose appointed tasks in war-time required it, then the difficulties arising out of a purely voluntary system of recruitment would be greatly diminished. Every young man of whom compulsory training was required would be given the option of undergoing military training, unless he was specially qualified for some other duty; and the amount of training given to the existing territorials could in such circumstances be increased. It would then be possible to decide, without prejudice from the fact that the present system allows no possibility of a large army, how far a country in Great Britain's position needs to prepare in peace-time for the contingency of having to make a large-scale military effort by land in the event of a major war. The promise of military conscription when war breaks out is irrelevant to that issue. It is indeed essentially subordinate to the problem of civilian organisation; for without a universal national register and compulsory training the British people will be faced, if and when war comes, by the peremptory question: "Can we keep going long enough to bring our naval and military power into play, or shall we, in spite of our armed strength, be defeated by failure to realise that, under modern conditions, mobilisation for war must precede and not follow the outbreak of hostilities?"

These are dangerous times, when delay may be fatal. Great Britain—and, through its reliance on her, the whole British Commonwealth—has suffered too long from Prime Ministers who did not realise or preferred not to tell the people the unpalatable truth or to call upon them for the sacrifices that were needed. Mr. Neville Chamberlain has a chance to prove that he is of different quality.

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I. MID-TERM

ONCE again the United States is going through a strenuous election, the mid-term election of all members of the House of Representatives and one-third of the Senate. And once again ordinary citizens are dividing their attention between politics and the incipient signs of recovery that have suddenly blossomed here and there in the country. Recovery, it is true, has been most vivid in the hectic flush that has mantled Wall Street's cheek, but this is taken as a sign of inner stirrings which extend from Atlantic to Pacific, and an extraordinary optimism suddenly pervades the marts of finance and business. The optimism has not yet penetrated to the workers or the unemployed, and many industrial communities are still sunk in depressing conditions, but the expanded government spending is furnishing a good deal of direct relief, and on the whole the national morale is better than it has been for some time.

Even the political campaign has added something to this morale; for President Roosevelt or his extreme Left-wing advisers have suffered a series of reverses, preventing them from inflicting reprisals on the Democratic Senators who opposed the Supreme Court Bill last year. Such reverses, indicating the collapse of the New Deal "purge" of these Senators, mean that a bitter civil war within the Democratic party is not now likely. They mean that the President may have to give up his efforts to make his party completely "liberal", driving from it the "conservatives"—a policy which he announced in his last

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fireside chat to the nation. And the loss for significant politics may mean a gain for party unity. This is perhaps an inglorious sort of gain. Perhaps it means that New Deal types of reform will have to come at a slower tempo. Possibly it means defeat for the whole New Deal movement within the Democratic party. But more probably it means a continuation of the same sort of compromise with the forces of conservatism and progressivism within the party as has been the rule since 1933. And that outcome is really rather encouraging to national middle-of-the-road opinion.

II. AMERICA AND THE DICTATORSHIPS

WITH the nation doubly occupied in its politics and the exciting signs of recovery, the development of foreign policy mostly takes place in a vacuum in the State Department—under, of course, the keen attention of the President. The most striking factor in mid-year foreign policy is the increasing number of points of friction between the United States and Germany. Secretary Hull continues to be deeply concerned with the activities of the aggressor nations, as he often calls them—together with much more picturesque language,—and his policies are intended to act as a deterrent in so far as the narrow limits of American public opinion permit him to operate.

American foreign policy is more than ever like the spinster school-teacher. Time was when Teacher limited her discipline to verbal rebukes and moral lectures from her desk. Before that—in the 'twenties, let us say—Teacher simply looked pained at the disciplinary problems of her classroom. Then for a time she uttered sharp verbal rebukes. Now, as played by Secretary Hull, she is walking up and down the classroom aisles, swishing a ruler through the air and continuing her moral lecture in ever stronger language. She has not yet by any means reached the point where she can proceed to a real birching.

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There is a big gulf fixed between the air-swishing and the actual corporal punishment. But how she would like to lay her hands on some of the big boys! And how emphatically she does castigate them—verbally. In fact, she seizes upon every one of their faults, and eloquently enlarges upon them.

And thus we come to the present points of friction with Germany. For most of the air-swishings have reference to that country. Perhaps it would be too much to say that there has been deliberate exaggeration of the points of friction by American officials; but certainly there has been no tempering of American protests against German actions. Here are some of the sore spots. First, Germany is the only country in the world to which the United States denies most-favored-nation treatment in the application of reciprocal trade agreements. Secondly, the United States is taking the lead in the refugee conference at Evian, an activity which is directly critical of German policy. Thirdly, the United States has refused helium to German dirigibles, after having passed a special act of Congress to permit such export, on the specific ground that it might be used for military purposes. Next, a spy plot in the United States, involving the indictment of 18 Germans, was played up by the Government with zest and thoroughness, even more, perhaps, than the occasion warranted. The cases may drag on indefinitely. Finally, public officials are increasingly critical of Germany in their speeches, and no effort is being made to smooth over these affairs—which could be done quite easily.

In short, it has become good politics to be anti-German. There is no group worthy of mention in the whole range of American public opinion which is really sympathetic with Germany—no group like the Roman Catholic organizations which are sympathetic with General Franco and even with Italian aims in Spain. There are, of course, some German-Americans who believe in Herr Hitler. But they are exceedingly few, and they have made their

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own position nearly impossible with public opinion and Government by organization into *bunds* and camps, with all the trappings of Nazism. There are quite as many German-Americans, including of course those of Jewish race, who are violently anti-Hitler. And the list of potentially anti-Hitlerite Americans only begins with the big Jewish nucleus. It includes the Roman Catholics and the organized Protestant churches, which have been damaged in Germany. It includes all those who sympathize with Czechoslovakia—founded as it was in Pittsburgh and Washington. It includes extremely powerful financial and mercantile leaders, lawyers and professional men, and a good many ordinary people who sympathize with under-dogs.

The whole combination of circumstances seems to prove that the United States is part way along the road to 1917—with only the slightest fraction of the pro-Central-Powers and anti-British sentiment that existed from 1914 to 1917. Such is the dominant emotion in front of which Secretary Hull is conducting his air-swishings. But what does the emotion mean in practical terms? The answer is hard to give. There is still a universal and powerful substratum of isolationist opinion to counteract the emotional dislike of the dictators. It says: "Stay at home. Stay out of trouble." One of the ablest New Dealers, Jerome N. Frank, has just published a strong book advocating a completely isolationist policy—politically and economically. But somehow the emotional base of public opinion seems rather tindery as the months go by.

In a powerful leading article on June 15, the *New York Times* attempted to warn the dictators lest they "enormously miscalculate a well-established American habit of choosing sides the moment any issue basic to this country's faith is actually involved". It continued:

The aggressor nations will make a mistake if they assume from our unwillingness to pledge ourselves to a specific course of action that it is safe to leave us out of their calculations. We shall be

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fully prepared, if war on a large scale envelops Europe, to choose the side of the democracies.

This leading article, the recent speeches of Secretary Hull, and many private talks he has had with leaders of American opinion, were all directed toward both immediate and long-range objectives. The immediate objective is to save Czechoslovakia, whose independence the State Department is convinced hangs in the balance as these midsummer weeks wear on. All these warnings to Germany were uttered with that one purpose. And on a longer-range view the objective has been to save democracy and international order in the world. Secretary Hull has had to follow the dual technique of impressing the chancelleries of the aggressor nations and at the same time of arousing American public opinion. He seems to have made some progress in both directions.

Not the least significant evidence of a new American policy towards Europe is the decision to bring the entire United States fleet into the Atlantic and hold its 1938 manœuvres there. The purpose is to impress Europe with the military might of the United States, to call attention to its swiftly growing navy, to warn off possible aggressors from the American hemisphere—and German and Italian propaganda penetration into Latin America has been substantial—and in general to bring United States diplomacy back into the European picture.

Meantime, Japan is being reminded frequently that the United States is still on the Pacific scene by protests at air bombing, by efforts to persuade American manufacturers and exporters not to supply Japan with the sinews of war, and by the keen and palpable interest of public and press in China's successful tactics and the pyramiding internal and external difficulties of Japan.

Thus the development of foreign policy is proceeding, to some degree working within the State Department, and to some extent reflecting popular emotions as they evolve. But it would be inaccurate to infer that these

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emotions dominate the national opinion: on the contrary, people are mainly interested in recovery, and next in politics.

III. BUSINESS AND THE STOCK MARKET

OUR present business upturn burst upon the country with an altogether amazing suddenness. In five trading days, beginning on June 20, the stock market recovered the losses sustained in the previous three months. On Saturday, June 18, the market showed all the inactivity and slender price-range of the preceding months. There was not the least sign of change. There was no news over the weekend seemingly to justify any change. Yet on Monday the market leapt into an opening on heavy volume and upward prices, and within five trading days recorded gains larger than in any like period since 1929.

Few adequate explanations of the rise were available even to experts. The amateurs could guess and rationalize, and to them it seemed that several factors were involved. The complete dejection of conditions in the preceding weeks forced the conclusion that the depression must really be dragging bottom. Operations in many industries were at 1932 levels; steel was down to 25 per cent. of capacity, and copper mining in the United States had been almost closed out. Pessimistic prognostications had come from three leading Wall Street forecasters in the week before the upturn, and experts had scanned the horizons without detecting any substantial sign of hope. And then the market burst upward. Immediately, of course, various hopeful signs were to be seen. Steel scrap prices—a very sensitive barometer—had firmed, and steel scrap is always taken to be a sign of advancing steel operations, which in turn means better general business activity. Following the upturn, various other indications were manifest: commodity prices were improving, steel production gains were recorded, agricultural conditions were not so bad as they

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had seemed, the European situation was a little better, Congress had adjourned.

In any event, the stock market began a fortnight's rise, and—at the time of writing—is still climbing steadily though more soberly upward. Observers were pointing out that this Wall Street barometer not only indicates but sometimes affects the weather. The close connection between the market and general business conditions, which was vividly seen last autumn with the advent of the depression, is now working out in reverse. The decline in the market, which began slowly after a peak on March 10 last year, and sank precipitously from August onward, was followed by the general business depression. Research into the last ten business cycles shows that in general the stock market has provided a clear signal of a slump or a boom by an average lead of seven months. This margin grew much shorter last year, and it is expected to be shorter still in signalling the upturn now.

The stock market's influence on the national economy is of course larger in the United States than in most other countries. Potentially it produces a state of mind which may change the entire nation's economic fortunes, largely by reason of the high proportion of savers and investors here, with their addiction to stock-dabbling, and to the current liquidity of national wealth. Moreover, as Professor A. C. Pigou says, there is "a certain measure of psychological interdependence" in any economic society, from which there comes into play "a quasi-hypnotic system of mutual suggestion".

Because the downward spiral was so swift, experts expect the climb upward also to be precipitous—producing a V-depression—and it is the widespread view that the bottom has been hit, with the upward stroke of the V outlined in advance by the stock market. Such estimates are based on the feeling that the present depression was largely a crisis of confidence, which can most readily be remedied by psychological methods such as stock-market enthusiasm

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provides. With the exception of the railroads, the financial structure of business generally is felt to be sound. Banks and insurance companies are untouched, and farmers have suffered no serious damage in the past year despite a decline in agricultural income. Consumer spending is well maintained because individual resources have not been so far exhausted as in 1929-32, and there has been little or no panicky hoarding or buyers' strikes. Panic psychology did not spread throughout the whole country, and the worse declines were localized in manufacturing, mining, and related industries and communities.

Meantime, large and high-priced inventories have been greatly reduced or exhausted, buyers are placing new orders and many of them are marked "Rush". Retail prices have been brought down by now, so that basic commodity prices can start up again. Most of the improvement, however, is forecast in the consumer-goods industries. Durable goods still lag, although housing is on the up-grade. But the utilities remain uncertain of their fate, and only the faintest rays of hope have emerged for the railroads.

All in all, the business upturn is coming along just in time to help the Democrats in the mid-term elections, and to permit General Hugh S. Johnson (the former N.R.A. administrator who now writes a column for the newspapers) to declare with his usual saltiness: "Franklin Roosevelt is so lucky that if he fell down a well he'd find buried treasure there."

Which brings us to the mid-term elections.

IV. DEMOCRATS VERSUS DEMOCRATS

THE American electoral system is more than a little complicated. Foreign observers know, no doubt, that Presidents are elected every four years, and that President Roosevelt was triumphantly re-elected in 1936. But

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members of the lower House of Congress—known as Representatives—are elected only for two-year terms. All of them—435 in all—must stand again this year. And members of the upper House—Senators—are elected for six-year terms, one-third of them coming up for re-election every two years. Thirty-two Senators are therefore facing the voters this year.

But first a candidate must be nominated, and in most states nominations are by vote of the electorate in primary elections. The primaries are held all through the year, beginning with the state of Illinois on April 12, and ending with Massachusetts and three other states on September 20. The general election for 47 of the states is on Tuesday, November 8 this year, but in Maine it is on Monday, September 12.

Now, in many states the nomination in the primary elections is of greater importance than the actual election itself. In about a dozen southern states, for instance, the only real contest is in the primary electoral struggle between different Democratic candidates, for the Republican party never wins elections there. The primaries are divided between the parties, that is to say, a voter must be registered either in the Republican, or the Democratic, or some other primary. He can vote only for candidates within that party primary, and in most states he must be registered in one party or another well in advance of the actual primary voting. The balloting itself is handled exactly as in a regular election. In a few states, the nominating is done by state conventions of the respective parties, rather than in a primary election.

The distribution of the primaries, or in a few cases the conventions, over a six-months period explains the continuing interest shown by the public in the mid-term elections. It has been a serial-story ever since the Illinois primary, with the spotlight shifting from this state to that. Quite early it was obvious that the struggles of major importance would be within the Democratic party primaries,

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turning on the efforts of President Roosevelt and his more extreme associates to penalize the Democratic Senators who opposed his Supreme Court Bill last year, and whom he defines as conservatives or "copperheads". The word "copperhead", which the President revived, was applied to people in the North during the Civil War who were opposed to the war, and who sabotaged the northern cause. Nine Senators who opposed the President's Court plan last year, most of whom are rather conservatively inclined, must stand for re-nomination within the Democratic primaries this year. They are the men on the black list of the so-called "elimination committee", a body of zealous New Deal officials who are trying to "purge" the Democratic party of its conservatives. Some months ago plans for this purge were laid, and efforts began.

The first tests were successful for the New Dealers. That is, they were able to re-nominate two loyal supporters of the President who were under attack from conservatives. These two—Senators Pepper of Florida and Hill of Alabama—were naturally not on the list of nine. For various reasons—some springing solely from local politics—they were decisively nominated. These successes made the elimination committee think that they could score further and greater victories in the drive to purge the party.

So they challenged Senator Gillette of Iowa, the first of the blacklisted nine to come up for re-nomination. The elimination committee backed an eager young congressman, Otha D. Wearin, against Senator Gillette, and they were grievously defeated. The next of the nine "unfaithful" Senators to be up for re-nomination was Senator Van Nuys of Indiana, the most eminent of the Court Bill opponents to face the voters this year. For nearly a year Senator Van Nuys had been marked down for defeat by the New Dealers. He was Purgee Number One. But lo and behold, Senator Van Nuys declined to take his purge lying down. Threatened with defeat for the Democratic

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nomination (which is by convention in Indiana), he took steps to secure nomination on an independent party ticket. The Republicans in Indiana missed a golden opportunity to nominate Senator Van Nuys themselves. And then the Democrats in the state, seeing that with Senator Van Nuys as an independent candidate they would quite possibly lose to the Republicans, prepared to re-nominate him themselves. The act will be consummated by the time this article is printed.

The incident is explained at this length because it is the most significant of all political developments this summer. The purge has signally failed. Senator Van Nuys, by a show of independence, has won. The President's effort to punish the copperheads is itself in the dust. And so Mr. Roosevelt is temporarily frustrated in his effort to drive the conservatives out of high places within his party. In his last "fireside" talk—delivered when the temperature was at 90 degrees in Washington—he announced his intention to purge the party. Now it seems that he cannot do it. That means that he will have to make more and more compromises with the cautious wing of his party, and it may mean that the conservatives will dominate and dictate the presidential nominee in 1940.

Oddly enough, while these isolated conservatives are winning in Democratic primaries, the President's own popularity stands at a high point. Though he is personally popular, this sentiment can only with the greatest difficulty be translated into terms of effective control over his party. In years when he himself is not running for office, he has trouble in influencing the electors; in 1940, according to these important evidences, he might be able to secure his own re-nomination, despite the strong tradition against a third term, but he probably would be unable to nominate a designated candidate of his own views.

The Democratic party is a curious congeries. Its greatest mass is in the solid south, where most of its public officials tend to be conservative, but underneath there is a

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growing sentiment of discontent and progressivism. Yet the old guard is still in the saddle there. In the north, too, individual Democratic Senators and Representatives in many states are conservative, and most of them have strong local positions. So the party, while it has gone along with the New Deal as long as it was a thriving political success, is by no means wedded to New Deal principles. Many of the principal men within the party are stoutly conservative. Most powerful among them are Vice-President Garner, who is a conservative although dominated by forces of expediency for the past six years, and James A. Farley, the party's chairman and political manager, who falls into pretty much the same category. These two men, between them, seem able to control the party, and to have a grip on its grass-roots of a different nature from the President's own appeal.

It is the widespread political view, therefore, that Mr. Roosevelt—unless he should electrify the party with a personal attempt to run again—might well be thrust aside by these more powerful machine-men. But the President is also a consummate politician, he knows these factors, and is laying his own plans. If, on the wings of a business upturn, his popularity swells again, he might easily become the dominant factor in future calculations.

V. A POLITICAL CROSS-SECTION

A VERY good analysis of public opinion has just been concluded by *Fortune* magazine. A "balanced cross-section" of all parts of the United States was consulted by a big staff of tabulators for this enterprise. The results seem accurate to most observers; *Fortune* predicted Mr. Roosevelt's re-election in 1936 with an error of less than one per cent. So the following figures are of more than usual interest as a reflection of "scientifically sampled" public opinion:

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	Ap- prove. %	Disap- prove. %	Undecided and Uninformed. %
Mr. Roosevelt in general . . .	54.8	33.9	11.3
His personality . . .	80.3	11.7	8.0
His economic objectives . . .	48.1	29.1	22.8
His methods of attaining them . . .	35.5	40.0	24.5
His advisers and associates . . .	28.3	32.3	39.4
His rearmament policy . . .	63.6	13.2	23.2
His international policy . . .	50.0	15.0	35.0
His attitude toward business . . .	37.3	34.0	28.7
His attitude toward unions . . .	38.3	30.4	31.3
Wages and hours legislation . . .	48.8	21.8	29.4
Reorganization Bill (on which the President was defeated) . . .	22.3	38.3	39.4
His attitude toward T.V.A.* (Dismissal of its chairman for "contumacy") . . .	26.8	23.9	49.3

This poll was taken at the low point in the depression. It shows the personal triumph of Mr. Roosevelt and the country's warm endorsement of his rearmament and international policies—in so far, of course, as these policies are understood. But most striking is the sharpness of contrast between public approval of his general economic objectives and disapproval of his methods of attaining them, and of his political advisers and associates.

Fortune also consulted its cross-section about two foreign questions. It asked people: "Which of the recent foreign military aggressions disturbed you most?" and "Would you favor allowing political refugees to come into the United States?" The answers, taken in April-May were:

Which of these events disturbed you most?	
Japan's invasion of China . . .	29.4%
Germany's seizure of Austria . . .	22.8%
Outside intervention in Spain . . .	10.3%
The Russian treason trials . . .	2.7%
None . . .	21.3%
All . . .	0.6%
Don't know . . .	12.9%
	34.8%

* Tennessee Valley Authority.

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Here the striking fact is that—though indignation is an easy, unintellectual, non-committal emotion—34.8 per cent. of the people refused to wax indignant. The man on the street refused to do much moralizing, even when invited to do so.

And, asked: "What is your attitude toward allowing German, Austrian, and other political refugees to come into the United States" the cross-section said:

Encourage them and raise immigration quotas . . .	4.9%
Allow them in but not raise quotas . . .	18.2%
Try to keep them out . . .	67.4%
Don't know . . .	9.5%

And that is the popular verdict at the moment when an American delegation is trying to solve the refugee problem at the Evian Conference. Are Americans humanitarians after all?

So we find a nation interested still in its own affairs, preoccupied with recovery and politics, casting an occasional emotion up in support of the State Department's active alarm at the activities of the aggressors, but basically remaining behind its own oceans and mountain ranges, watching the crops grow, eyeing the baseball scores, and gazing hopefully at the smoke puffing again from factory chimneys, or promising soon to puff.

United States of America,
July 1938.

THE MOVEMENT OF POLITICAL REFUGEES

PUBLICITY has been given to the European refugee problem by the meeting of representatives of thirty nations at Evian in July to discuss plans for the assistance of political refugees. Further publicity will be given by the debates in the 1938 Assembly of the League of Nations when a decision must be taken on the future of League assistance to refugees. It is, therefore, an appropriate moment to review the history of post-war refugee movements in Europe in order that the work of the Evian committee and the decisions of the League Assembly can be seen in perspective against the long series of refugee problems that have arisen in the past twenty years.

Public attention concentrates upon each migration of refugees as it occurs, and at present newspaper readers might imagine that the only problem of the kind was that of the Germans and Austrians. It is important to realise that since the war there has been a succession of refugee migrations, each contributing a new set of difficulties, the accumulation of which now presents the European Governments with one of the obstacles in the way of general appeasement. In this article a brief summary is given of the series of post-war refugee movements and of the international action taken to provide machinery for dealing with the resulting problems.

I. RACIAL CONCENTRATIONS AFTER THE GREAT WAR

THE reconstruction of the states-system in Europe after the war was accompanied by migrations and national revisions which produced refugee movements. Part of the

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population that had been evacuated from the European frontiers of Russia into the interior returned to the newly created Baltic States and Poland. Populations in the areas of military activity which had sought shelter in neighbouring countries, such as the Belgian refugees in France and Great Britain, returned to their homeland. Prisoners of war, marooned in various parts of Europe and Russia, were repatriated. Political exiles, like the Czech leaders, returned in triumph to new national States. Groups of population in some of the succession States were ejected into the truncated territories of the old Habsburg dominions, as for example the Magyars from Czechoslovakia, Yugoslavia and Rumania into Hungary. During the process of frontier changes large sections of population acquired new nationalities; and as a result of defects in the treaty provisions or through the failure of some persons to use the rights of option granted them, a class of "stateless" people emerged.

These particular developments in the aftermath of war and treaty-making did not, however, bequeath continuing refugee problems. Their main legacy was the group of stateless persons whose position inside a system of national States becomes anomalous and is rendered more difficult as nationalism grows stronger as a determining factor in political life. A second group of population changes which also did not leave a continuing refugee problem, comprises the movements of Bulgarians, Turks and Greeks after the collapse of the Ottoman Empire and the rise of nationalist Turkey.

Attempts to "unmix" the populations of Turkey, Bulgaria and Greece had been made before the war. An exchange of frontier populations had been envisaged by a Turko-Bulgarian treaty in 1913, and a partial voluntary exchange of minorities had been arranged between Turkey and Greece in 1914. This planned redistribution was prevented by the war, and the redistribution that eventually took place was in only a small degree planned; it was for

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the most part a panic flight of refugees from one country to the other, relieved by an international effort to arrange for property compensation and for the settlement of the refugees in their new homelands.

The greatest of all the movements was that of the Greek population out of western Asia Minor after the defeat of the Greek expansion into Anatolia, culminating in the Smyrna disaster of September 1922. Chiefly from this refugee migration, but also from movements of Greek population out of other parts of Turkey, out of Bulgaria and out of Russia, Greece received 1,300,000 refugees. Both during and after the war Bulgaria received floods of refugee Bulgarians from neighbouring countries; the total number between 1913 and 1925 has been estimated at 220,000. The return of population of Turkish origin to Turkey was part of a continuing process, but was accelerated after the war: 578,000 Turkish "muhajirs" entered Turkey between 1921 and 1929. A small proportion of these migrations was the result of a deliberately planned exchange; 30,000 Greeks from Bulgaria, 35,000 Bulgarians from Greece, and 370,000 Moslem Turks from Greece were moved as a direct result of the exchange provisions of the Convention of Neuilly of 1919 and the Lausanne Convention of 1923.

However, the benefits of the provisions (so far as property compensation was concerned) were available for the majority of the refugees, even though they had migrated before the official "exchange" was arranged.

Turkey did not wish, or need, to seek international help in settling her incoming refugee population; they were mostly agricultural workers, and there was ample land for them in the districts vacated by the departing Greeks. Bulgaria and Greece, on the other hand, sought international assistance through the League. A Refugee Settlement Commission was established in 1923 and international loans in 1924 and 1928, amounting to approximately £13,000,000, were raised for the rehabilitation of the refugees in Greece

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in both agricultural and urban settlements. At the end of 1930, when repatriation was practically complete, the Commission handed over its work to the Greek Government. For the settlement of the refugees in Bulgaria a single High Commissioner was appointed, and in 1926 £2,520,000 was raised by loan. By the end of 1932 the High Commissioner's task was almost finished and the Government took over the final stages of the work. The Greek achievement was more successful than the Bulgarian, but both were striking examples of international collaboration in assisting a country to provide a constructive solution to a refugee problem, the magnitude of which exceeded its own resources and capacity.

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Armenians and Assyrians

THE disintegration of the Ottoman Empire produced two other refugee problems, to which no adequate solution has yet been found, namely the Armenian and the Assyrian. These two Christian populations, dispersed as refugees, are still for the most part living in the countries in which they took refuge and are trying to establish themselves there with only partial assistance from the Governments concerned or from international collaboration. The Armenians in the Turkish Empire, after a series of periodical persecutions in the preceding twenty years, were subjected from 1915 onwards to massacres and deportations intended to achieve their elimination. Apart from those who found asylum in Russia or America, between two and three hundred thousand sought refuge in Syria, Iraq and other countries of the Near East, and in Europe. The majority of these Armenian refugees are still in Syria and the Lebanon (100,000), in France (63,000), in Greece (25,000) and the Balkan countries. Repatriation to Turkey has never been practicable. Dr. Nansen's efforts to secure international

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help for a comprehensive settlement scheme in Erivan were in the end unsuccessful; but he initiated various schemes, which under League auspices have been continued, for the re-establishment of the Armenians in their countries of refuge, notably the urban and agricultural settlements in Syria. The Armenian refugees in France, concentrated chiefly in the big cities, have slowly established themselves by finding employment in the heavy industries, in shop-keeping and other commercial work.

The Assyrian tribes in the Hakkari mountains joined forces with the Russian armies against Turkey in the war, and after 1917 had to seek refuge under the British Administration in 'Iraq. In 1925 the Hakkari mountains were included in the territory assigned to Turkey, and repatriation of the Assyrian refugees to their original homes became impossible. The assimilation of the Assyrians in 'Iraq was interrupted by the events in 1933 which followed the announcement of the forthcoming surrender of the mandate by the British. A group of Assyrians entered Syria in the hope that the French Administration would provide land for settlement. To return this group to 'Iraq was impossible after what had occurred, and the League attempted to devise a scheme under which those Assyrians who could not be incorporated in 'Iraq might be settled elsewhere.* Since 1933 frequent efforts, including enquiries in Brazil, British Guiana and various parts of the British Empire have been made to find a territory in which the Assyrians who had left 'Iraq could be settled. A scheme for their establishment in another part of Syria, the Ghab plain, had to be abandoned in consequence of the French decision to terminate the mandate, which would have rendered their position there as a civilian minority too dangerous.

Since 1936 efforts have been concentrated on improving

* There are at present approximately 9,000 Assyrians in Syria on the banks of the Khabur, where the original group from 'Iraq had first taken refuge, and 20,000 in 'Iraq.

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their position on the Khabur River and trying to convert what was originally a temporary refuge into a place of permanent settlement. The 'Iraqi Government has taken steps to assist the settlement of the Assyrians who have remained in 'Iraq.

Fugitives from the Bolshevik Régime

Of the refugee movements so far described, only the Armenian and Assyrian raise problems that require further international effort to-day. It is these, together with three other dispersion movements, which constitute the essence of the present refugee problem. The largest is the flight of approximately a million people from Russia after the 1917 revolutions and the civil wars; the second is the emigration of political opponents from newly established political régimes, such as those from Italy and Portugal; and the third (and most significant so far as the future is concerned) is the departure from Germany, the Saar and Austria, of political opponents, Jews and "non-Aryans." Each of these specifically refugee movements has raised acute international difficulties and has demanded, though not always resulted in, international action on behalf of the refugees.

Mass emigration from Russia did not begin immediately after the Bolshevik revolution, for anti-Bolshevik forces at first continued their resistance on Russian territory. The autumn and winter of 1919 saw the collapse of the anti-Bolshevik front in the north and on the west; the spring and summer of 1920 witnessed the break-up of the armies and provisional Governments in the south; and the long-continued opposition to the Bolsheviks in the east finally broke down in 1922. From 1919 onwards hundreds of thousands of refugees crossed the frontiers to seek asylum in adjacent countries. They included the remnants of the defeated armies and great sections of the civilian population, whose numbers were increased by people fleeing from the famine in south Russia in 1921. The three great streams

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of refugees flowed westwards into the Baltic States, Poland and Germany, south-westwards through Constantinople as the dispersion point, and eastwards into China. Although there has been some subsequent redistribution, the original dispersion has determined the broad lines of the present location of the Russian refugees. Czechoslovakia, Yugoslavia and Bulgaria were exceptionally generous in receiving, assisting and absorbing large numbers; the Baltic States because of their geographical position and the presence of large Russian minority populations received many; and France is estimated to have at present between 60,000 and 100,000, who are not naturalised. In Manchukuo there are approximately 44,000 Russian refugees and 33,000 in China, of whom 26,000 are in Shanghai.

It was soon evident that mass repatriation was impossible, although the majority of the Russian refugees even to-day hope that in time they will return to Russia. Large-scale settlement overseas, in South America for instance, although often discussed, has never been attempted. For the most part the Russians have continued to live in their countries of refuge. In some, such as the United States, they are being absorbed rapidly into the national population; in others, such as Yugoslavia, they enjoy the position of specially protected and privileged guests. They have needed and have received international protection and assistance through the work of the League, but no general settlement scheme for them has been, or indeed could be, devised. They have needed, rather, a multitude of separate and almost individual settlement schemes.

Exiles from the Totalitarian States

Political refugees from Italy fled abroad from 1922 onwards, but particularly in the period 1926-29. Large numbers went to the United States, but the majority found shelter in France, where the presence of three-quarters of a million Italian settlers provided them with assistance for their economic re-establishment and with

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opportunities for continuing their anti-fascist political work. It is estimated that there are 10,000 Italian political refugees in France, exclusive of their families and dependents. The numbers of political refugees from other countries, such as Portugal and Greece, are extremely small; they can be classed more easily with the individual exiles, who have always appeared in the history of political revolutions, than with the mass refugee movements that are more peculiar to post-war European developments. The Spanish civil war threatened, and still threatens, to produce a large refugee exodus, but until now the movement across the frontier is insignificant in size compared with the evacuations of civilian populations within Spanish territory. It is estimated that France has still 25,000 adult and 10,000 child refugees, but they must be regarded as transients and temporary residents until developments in the civil war show whether repatriation is possible, or whether plans for permanent settlement outside Spain must be made.

The establishment of an authoritarian régime by the National Socialist party in Germany has led since January 1933 to a continuous exodus of refugees, including political opponents, members of the proscribed parties and working class organisations, Jews and partly-Jewish persons (the "non-Aryans"), and members of Christian churches and organisations whose lives and liberties have been endangered. It is estimated that 150,000 refugees left Germany between 1933 and 1938, a third of whom departed in the first year. The migration was swollen as the power of the Third Reich extended to include the Saar territory and Austria. Approximately 7,000 refugees left the Saar, two-thirds of whom have established themselves in France. The Austrian frontiers were closed to the passage of refugees both by the action of the German Government and through the restrictions introduced by other countries, which feared the immigration of large numbers of exiles, stripped of all property. Until now there have been relatively few refugees from Austria, but the pressure to escape grows greater, and

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the 10,000 who have escaped will certainly be followed by greater numbers.

The majority of German refugees were Jews or could claim assistance from Jewish relief organisations. The generosity and efficiency of these bodies made possible a rapid distribution of the refugees into countries where re-establishment was possible. Over 40,000 were able or enabled to go to Palestine, and probably a similar number has reached the United States. By a process of infiltration refugees have moved from countries of merely temporary refuge into countries of settlement; but the intermediate stage is extravagant and has been eliminated as far as possible by the private organisations, who have planned an emigration directly from Germany to the countries of ultimate destination. Similarly, training and re-training schemes have been developed to ensure that re-establishment shall occur as rapidly as possible.

III. THE LEAGUE AND PRIVATE RELIEF ORGANISATIONS

USUALLY refugees have had to abandon or have been deprived of most of their property. They are aliens without the political protection of a government behind them, of uncertain legal status, with passports of questionable validity. Frequently too they arrive in countries inappropriate for their settlement, and trained in occupations irrelevant to their new conditions. With these and other disabilities, they need a form of assistance quite different from that available for the ordinary voluntary migrant. Each refugee movement has led to the creation of a number of private relief organisations. Some of these, such as Zemgor (the Russian Zemstvos and Towns Relief Committee), were organised by the refugees themselves, or, like the Armenian Benevolent Union and the various Jewish organisations, arose from the efforts of other communities related to the refugees by national or religious associations. Others were external to the emigrations, such as the great

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American philanthropic agencies, the Near East Relief and American Red Cross, which organised relief work on a colossal scale during and after the war. The multiplicity of organisations has undoubtedly resulted in extravagance, excessive overhead expenses, and duplication of effort; nevertheless, the relief societies have been responsible for the continuous routine assistance and the highly individualised case-work without which progress towards a solution would have been almost impossible.

Although the voluntary organisations have borne most of the burdens of relief in all the post-war refugee movements, there were problems of a political and legal character that they could not solve. As these problems were of an essentially international character, it was natural that the assistance of the League of Nations should be invoked. In 1921 the League appointed Dr. Nansen as High Commissioner for Russian refugees; in 1923 it added the protection of Armenian refugees to his responsibilities; and in 1926 the protection of certain small groups of refugees known technically as "Assyrians, Assyro-Chaldeans and assimilated refugees."* For a period, 1925-29, the technical refugee service was transferred to the International Labour Office, while Dr. Nansen still remained High Commissioner. After an experimental year in the League Secretariat, the refugee service on Dr. Nansen's death was established (in 1930) as an autonomous office under the Nansen International Officer for Refugees. The office was to have only a temporary existence, and December 31, 1938, was fixed as the date for its final liquidation.

Responsibility for the German refugees was entrusted in 1933 not to the Nansen Office, but to an autonomous High Commission, almost divorced from the League. The League, however, placed Saar refugees under the Nansen Office. When the first High Commissioner for German

* Not to be confused with the "Assyrians of Iraq", for whom the League set up in 1933 a special committee of the Council and later a trustee board.

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Refugees resigned in 1935, the League appointed a High Commissioner directly responsible to the League. In May 1938 the League Council provisionally included the care of Austrian refugees within the scope of his responsibilities. The League has never extended its protection to Italian, Portuguese, or other smaller groups of political exiles. For the settlement of Greek, Bulgarian and Assyrian refugees, it established special machinery in each case. Apart from the Greek and Bulgarian settlement schemes, the League's chief work for refugees has been in the legal and political sphere rather than in the humanitarian. Dr. Nansen initiated a series of international arrangements which provided the refugees with identity and travel documents and some legal protection. The benefits of these arrangements were consolidated and extended in a Convention of October 28, 1933, which nine countries have ratified, and which constitutes a charter of liberties for the refugees to whom it applies, namely those under the Nansen Office. The League High Commissioner for Refugees from Germany, Sir Neill Malcolm, secured somewhat similar travel documents and legal protection for the German refugees by an arrangement in 1936 and more extensive benefits by a Convention of February 10, 1938.

For the past two years the future of League protection for refugees has been under discussion. The Nansen Office must disappear at the end of 1938, and the mandate of the High Commissioner for German Refugees expires at the same time. The League Council in May 1938 decided to recommend to the Assembly that League protection should be continued for those categories of refugees at present enjoying it, and that the existing dual machinery should be replaced by a single High Commissioner and a unified administrative organisation. The High Commissioner's duties will be primarily to secure legal and political protection for the refugees by means of further ratifications and the full application of the two Conventions, but he will also be responsible for co-ordinating the work of the

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voluntary organisations and assisting plans for emigration and permanent settlement.

IV. THE EVIAN CONFERENCE

AN inter-governmental committee, meeting at Evian in July 1938 on the invitation of President Roosevelt, made provision for continuing meetings and for an executive agency under a Director. The scope of its responsibility was restricted in the first place to refugees from Germany and Austria, but as the committee remains in being, it can later widen the scope, if necessity arises, to include other categories of refugees. At first sight this may appear to be merely a duplication of machinery; but, in fact, it constitutes a most important supplement to the League work for refugees. In the first place, it has provided a means for the direct participation of the United States and other countries which are not League members in refugee work. In the second place, the inter-governmental committee can make plans for "involuntary migrants" before they leave, whereas the League can only take account of refugees already outside the frontier of their country of origin. There is hope therefore that it may do much to convert the German refugee movement from a disorderly flight into an organised migration. In the third place, the collaboration of Governments has been established for the specific purpose of assisting the emigration and settlement of refugees, whereas the work of the League in this field has only been one of many activities, non-political in character and not engaging the direct and specialised attention of Governments. Furthermore, it has provided a possibility (which no organ of the League could have provided) of negotiating with Germany on the question of allowing the "involuntary migrants" to take some of their property with them, instead of having as now to emigrate without any possessions. The inter-governmental committee made provision for co-operation

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with the existing League machinery, and incidentally with the International Labour Office, and its task will be sufficiently distinct from that of the new High Commissioner. There is therefore no reason to anticipate that there will be duplication of effort as a result, but rather every reason to welcome enthusiastically the direct intervention of the United States in an attempt to solve the European refugee problem.

Hopes that an inter-governmental committee at its first meeting would produce a radical solution could have been entertained only by those ignorant of the complexity and stubbornness of the refugee problem. None of the refugee problems since the war has shown itself capable of a single radical solution. The Greek and Bulgarian settlements do not provide a precedent or direct guidance for dealing with the existing or potential refugee movements. Whereas the Greek and Bulgarian refugees were returning to countries that were practically their national homes, the German refugees are leaving their national home and entering other countries as aliens. The former were movements of concentration: the German migration is a dispersion movement. Moreover in the former cases land was available to a certain extent for settlement through the departure of other populations, and a large proportion of the refugees (47 per cent. among the Greeks) were agricultural workers.

It would accordingly be misleading to try to draw lessons from any of the previous refugee movements in an attempt to plan the treatment of the German refugee question. It is one of the great advantages of the inter-governmental committee, established at Evian, that it makes possible an entirely new approach to the problem. It promises to attack a refugee problem in the only effective way, namely, by anticipation and prevention; it aims at eliminating the "refuge" and therefore the refugee problem by facilitating an ordered migration. The detailed methods by which this migration will be organised, whether exclusively by infiltration or partly by group settlement or

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even by colonisation, are of secondary importance compared with this decision of principle, that an emigration, judged to be inevitable, must be anticipated and directed. This alone makes it important that the co-operation of Governments in the committee shall be effective and successful, for there are population problems in Europe of growing urgency which may soon demand international action. The Evian committee may find that it is experimenting on a comparatively small task, before having to deal with a far larger one.

Throughout the discussions at Evian, the problem of Eastern Jewry was present implicitly. The United States delegation wanted the terms of reference of the committee to be wide enough to include possible emigrations of Jews from Poland, Rumania, Hungary and elsewhere. In the end only the emigration from Germany and Austria, Jewish and other, was included, but the bigger question will soon become one of the dominating issues in Europe. The hopes raised by Evian are partly that the new approach by Governments will lead to a constructive solution of the German and Austrian refugee problem, but still more that Governments from the experience they gain in dealing with this minor problem will develop a technique for dealing with the far greater population problem of Eastern Europe. It is a great gain that the method of anticipation has been adopted; it will be a far greater gain if remedial measures are adopted for the larger issue, so that not only may a refugee emigration be prevented, but the conditions that might produce such an emigration be eliminated.

IMPERIAL RESPONSIBILITIES IN THE WEST INDIES

By a Correspondent

I. THE CONSTITUTIONAL BACKGROUND

A SERIES of events that have taken place in the West Indies during the last four years have drawn public attention to colonies which are the oldest in our colonial empire and which in the past were regarded as of immense value. It has been made quite evident that throughout the West Indies there exists serious discontent, which has manifested itself from time to time in riots and disorders.

In the summer of 1934 riots took place on two sugar estates in Trinidad. These were merely local, and action taken by the administration prevented the unrest from spreading to other parts of the island. Early in 1935 serious disorders occurred in St. Kitts. Later in that year riots broke out in St. Vincent, and a state of emergency had to be proclaimed in the neighbouring island of St. Lucia in order to prevent a similar outbreak in that colony. In June 1937, riots took place on the oilfields of Trinidad; strikes, marked by disorders, affected the sugar industry, and spread to Port-of-Spain. Shortly afterwards rioting broke out in Barbados. In the spring of this year a strike occurred on a sugar estate in Jamaica, and subsequent strikes and disorders affected Kingston and other parts of the island. From time to time throughout the whole period there have been signs of discontent in the neighbouring colony of British Guiana, which have manifested themselves in occasional strikes and some disorder.

These events have not unnaturally caused grave concern

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and have been a rude shock to public opinion in England. The natural assumption has been that our present system of colonial administration has proved inadequate to meet the difficult situation caused by a long period of economic depression. The object of this article is to analyse as far as possible the causes of the unrest that has manifested itself in the West Indian colonies, and to suggest methods by which the present difficult situation can be improved. Before attempting this analysis it is advisable to make a short survey of the different systems of administration that exist in the British West Indies.

Barbados can claim to be one of the oldest colonies in the Empire, having been first occupied in 1627. Its constitution dates back to the seventeenth century and is unlike that of most of the crown colonies. There are two Houses: a Legislative Council, of which the members are nominated by the Crown, and the House of Assembly, of which the members are elected annually. The Executive has no seat of right in either House, nor does the Governor preside at the deliberations of the legislature. The franchise is a very limited one and less than six thousand people have the right to vote. The island is divided up into eleven parishes, in which local vestries deal with such matters as health services, roads and poor relief, which in other colonies are under the direction of a central Executive. The disadvantages of such a system in a small colony are evident, but it must be admitted that in spite of these disadvantages Barbados has established a tradition of sound administration of which the people in the island are justly proud.

Jamaica has been a British colony since the days of Cromwell. Its present constitution is very similar to that of other crown colonies. The Legislative Council consists of five officials, ten nominated members and fourteen elected members. The Governor presides at meetings of the legislature and has a casting vote. A feature of the Jamaican constitution which is peculiar to the colony is that

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any financial measure can be vetoed by the votes of nine of the fourteen elected members. This power has for some time been used as a political counter with unfortunate results. As a case in point, efforts made by the Government to improve the incidence of taxation by increasing the scale of income tax payable on higher incomes, with a view to decreasing those import duties which affect the poorer classes, have been defeated by the votes of the elected members, who have shown little anxiety to co-operate with the Executive. The Jamaican legislature has of recent years earned an unenviable reputation for wasting time and for opposing necessary reforms. Recent events, however, have caused many Jamaicans to realise that the past activities of some of their elected members are not in the public interest, and a movement to secure a more efficient legislature is manifesting itself.

The Trinidad constitution provides for a legislature containing twelve official members and thirteen unofficial, seven of whom are elected and six nominated. The Governor presides at meetings of the Legislative Council. All financial measures, before their introduction into the Legislative Council, are discussed by a Finance Committee consisting of the unofficial members with the Colonial Secretary as chairman. This system has worked admirably and, in consequence, there is not the waste of time that is so marked a feature in the Jamaican Legislative Council.

The Leeward Islands consist of a federation of presidencies constituting one colony, with the seat of government in Antigua. The Windward Islands, on the other hand, consist of three separate colonies under one Governor, whose seat of government is in Grenada. At the present time steps are being taken to detach the presidency of Dominica from the Leeward Islands and to incorporate it in the Windward Islands.

In these colonies a new constitution has recently been introduced. The former system, whereby the official members were equal in number to the unofficial members,

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has been abolished, and the legislatures now consist of a Governor or Administrator in the chair with three official members and an increased number of unofficial members. The Governor, however, is vested with the power of over-riding the decisions of the legislature when he decides that it is necessary to do so in the public interest. The result of this change is that the unofficial members of the legislatures no longer find themselves faced by a body of official members, many of whom took no part in debates, but merely voted as directed by the Governor. The not unnatural result of the former system was to foster the idea of a Government and an Opposition, which was apt to prevent proper co-operation between the Executive and the legislature. The main functions of the legislatures in crown colonies should be those of deliberative assemblies, consisting of men prepared to co-operate with and advise the Executive. This object will be more readily attained under the new constitutions that have recently been introduced in the Leeward and Windward Islands.

In the larger colonies the affairs of the principal towns are controlled by elected councils. These councils have, in many cases, very wide powers and are independent of the Executive. In some cases their activities are open to criticism. It is noticeable that in the report of the Trinidad Commission * the failure of the city council of Port-of-Spain to deal adequately with slum conditions in that city is attributed to the fact that some of the councillors are owners of slum properties. In Kingston, also, the municipal authorities have failed to deal with such slum areas as Smith Village. In the writer's opinion, the time has come when the Governments of these West Indian colonies will have to intervene unless city and town councils show that they intend to make a serious effort to deal with this problem.

Local administrations, particularly in the smaller colonies, are severely handicapped by lack of funds. Some of the

* Cmd. 5641, p. 41, para. 39.

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islands, such as Dominica and St. Lucia, are dependent on grants-in-aid to balance their budgets, while in other islands financial independence can be achieved only by heavy taxation combined with low salaries and economies which affect the social services. Trinidad, during recent years, has obtained a large revenue from the development of its oil industry, but it was previously finding difficulty in balancing its budget. This colony, however, is the only one in the West Indies that has been able to develop a valuable industry other than agriculture, and it must be remembered that the oil industry employs only a small proportion of the population; it is safe to say that not more than 10 per cent. are dependent on it for their livelihood.

In Trinidad roughly one-third of the population consists of East Indians, who were originally brought to the island as indentured labourers during the latter half of the last century and the first few years of the present century to work on the sugar estates; but in the rest of these colonies not less than 90 per cent. of the population is of pure or partial African descent.

II. LOW PRICES AND LOW WAGES

THE main causes of the unrest that has affected the British West Indies are economic. Since the war there has been a serious decline in the market prices of the main agricultural products obtained from the West Indies. The following figures exemplify the decline in two of those products, namely, sugar and cocoa. The maximum price realised for raw sugar on the open market was 33s. 3d per cwt in 1923, 16s. 6d in 1926, 10s. 1½d in 1929, 7s. 6d in 1932, and 5s. 3d in 1935. In 1937 it rose to 6s. 10½d, but at the time of writing it has fallen again to 5s. 4½d per cwt. The value of the present empire preference amounts to 4s. 9d per cwt. Trinidad cocoa, which in 1919 was being sold at 112s. per cwt, realised 52s. per cwt in 1923, 68s. in 1926, 63s. in 1929, 45s. in 1932 and 37s. in 1933. Since

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that year there have been considerable fluctuations, but the present price is in the region of 40s. per cwt.

Of all the agricultural industries in the West Indies sugar is undoubtedly the most important, and several islands, such as Barbados, St. Kitts and Antigua, are entirely dependent on it. The sharp decline in prices that took place in 1928 and 1929 induced the British Government to send out a commission under Lord Olivier to enquire into the situation. Some relief was given in 1932 by increased preferences, though it fell short of what the West Indian sugar industry—or, indeed, the members of the commission—regarded as adequate, and for several years the industry found great difficulty in maintaining itself. The difficulties that had to be faced resulted, however, in greater efficiency. Improved types of sugar-cane were evolved and valuable assistance was given to the industry by the Imperial College of Tropical Agriculture in Trinidad. Experiments, in which the College co-operated, enabled the industry to obtain increased production by the scientific use of fertilisers, and improved machinery resulted in a higher yield of sugar extracted from the canes. As a result of these improvements there was a large increase in production throughout all the islands that depended either wholly or in part on this industry. In Trinidad, for example, where the exports of sugar in 1929 amounted to 81,500 tons, by 1936 they had risen to 142,670 tons.

As a result of improved methods the sugar industries of the West Indian islands and of British Guiana have managed to survive, but this survival has been achieved by maintaining a low standard of wage. Nor is it possible to see how there can be an adequate improvement in wages in present conditions. During the present year the price obtained for West Indian sugar in the home market has been in the region of £9 15s. a ton, and the difficulties of the situation have been intensified by the restriction of output that has resulted from the International Sugar Conference. The sugar industry can be helped by increasing the

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preference when the price of sugar in the open market is less than 6s. per cwt. If prices are stabilised, it is then possible to increase the minimum wage paid to unskilled labour, and to compel those companies which have lagged behind in providing satisfactory housing accommodation to replace the existing barracks by more suitable dwellings. During the last fourteen years, while the old-established sugar industry of the West Indies has had to struggle for its existence, England has built up a beet-sugar industry at home by means of heavy subsidies. The total of those subsidies now amounts to over £40 million, and is additional to the preference given to Empire-produced sugar. It is not surprising that the policy of the United Kingdom Government in launching and heavily subsidising a beet sugar industry in England, which many West Indians regard as being in direct conflict with their own industry has caused dissatisfaction.

In regard to cocoa, which for many years was considered the most important product of Trinidad and Grenada, the decline in prices has had very serious results. In Trinidad the production of cocoa in 1929 amounted to 61,900,000 lb. in 1936 it had shrunk to 28,340,000 lb. A serious decline has also taken place in the production of cocoa in Grenada. It is safe to say that the cocoa industry in both islands cannot continue in existing conditions, but so far no alternative crop has been found to replace cocoa, and it is estimated that in Trinidad alone no less than 100,000 people are dependent on it for their livelihood. Since the Empire's production of cocoa is far in excess of Empire consumption the cocoa industry cannot be helped by any system of preferences.

In 1933 a deputation from Trinidad and Grenada put forward the suggestion that an international cocoa conference should be called for the purpose of restricting output and stabilising the price of the commodity by removing from the market large surplus stocks. The Secretary of State at that time, Sir Philip Cunliffe-Lister, now Lord

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Swinton, supported this scheme, and an effort was made to secure international agreement regarding output. Unfortunately, Brazil refused to subscribe to a scheme involving restriction of output, and it was accordingly abandoned, although there was evidence that it would have received support from other cocoa-producing countries. There is reason to believe, however, that Brazil is now prepared to reconsider her attitude in this matter, and it is therefore to be hoped that a fresh effort will be made to secure a rationalisation of the cocoa industry by agreement among the producing countries.

As a result of a long period of uneconomic prices for cocoa and other products, estates are heavily mortgaged, and neither estate-owners nor peasant proprietors can find money to maintain an adequate standard of cultivation. Under-employment and low wages are the natural results, and in many of the islands financial assistance is urgently needed for estates that can no longer meet heavy interest charges. In many cases loans have been obtained through local firms, who act as agents for mortgagees resident outside the West Indies, and who exercise the right to handle all produce exported from the mortgaged estates. The mortgagors can obtain only such advances for working their estates as these firms are prepared to give, and the whole system is open to serious abuse. Mortgagors complain that the commission charged by the firms controlling their operations is unduly high and that they are unable to obtain fertilisers or other materials needed for their estates in the open market. In many of the islands no satisfactory rehabilitation of the agricultural industry can be effected unless some alternative credit scheme can be evolved by means of an agricultural loan bank, which will enable estate-owners and peasant proprietors to pay off the present mortgagees and to obtain financial assistance for working their estates on reasonable terms.

While the agricultural industries of the West Indian colonies have been in decline, further difficulties have arisen

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from the action of other countries, such as Venezuela, Cuba, and San Domingo, in refusing to admit West Indians in search of employment and in repatriating many of those who had migrated to them. No exact figures are available, but it is probable that the number of Jamaicans alone who had migrated to Cuba exceeded 70,000, and a recent estimate of those who had returned to Jamaica was 8,000. This may not appear to be a large proportion, but it must be remembered that in the West Indian colonies there is annually a large increase in population, which can no longer be absorbed by their agricultural industries. The resultant situation is a very serious one. Unemployment in rural areas has caused a drift of people from the country to the large towns, such as Kingston in Jamaica, Bridgetown in Barbados and Port-of-Spain in Trinidad. This has produced deplorable slum conditions, which in Kingston have been described by observers as possibly worse than those existing in any other part of the Empire.

The writer received in April a letter from a West Indian, who has considerable knowledge of conditions in many of the islands. He expressed the view that trouble was being fomented by men who had in the past been earning good money in Cuba and San Domingo and had during their stay in those countries imbibed revolutionary ideas. It is not unnatural that men of this type, who when they return to their own islands find that they are without employment, should become agitators and leaders among people who are dissatisfied with existing conditions. There can be little doubt that the activities of these local agitators are being assisted by organisations outside the West Indies which recognise that these islands provide a favourable field for subversive propaganda.

Another factor which, in the writer's opinion, has helped to increase discontent was the attack on Abyssinia by the Italians and the failure of England to prevent the annexation of that country. It may not be generally realised how deep an impression the events of the Abyssinian war

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made on the African population throughout the West Indies, or the extent to which it aroused a bitter feeling of racial animosity. In Jamaica, for instance, the cult of "Ras Tafari," which virtually deifies Haile Selassie as a great negro king, is said to be gaining many adherents and is regarded by some observers as being a potential source of future trouble.

III. POSSIBLE REMEDIES

THE report of the Trinidad Commission has drawn attention to serious defects in social development and to evidence of widespread malnutrition. These evils are not peculiar to Trinidad but, unfortunately, are general throughout the West Indies. Nor can any adequate remedy be found unless the agricultural industries, on which the vast majority of the people depend for their livelihood, can be placed on a more satisfactory footing. Reports by committees formed in Jamaica and other parts of the West Indies state quite clearly that the present scale of wages is insufficient to secure a reasonable standard of living, but in each case it has been pointed out that in existing conditions an adequate standard of wages is impossible. This is undoubtedly true. Minimum wage legislation has been enacted, and in some of the islands orders in council, fixing a minimum wage, have been introduced, but action of this kind must necessarily be taken with the greatest care. A case is known to the writer in which a local administration fixed a minimum wage which could be met by the majority of sugar estates on the island, but its introduction resulted in the closing down of one sugar estate, on which some three thousand people were dependent for their livelihood. As a result, the administration was faced with the difficult task of finding some other means of supporting a large number of people who would otherwise have been left destitute.

Formation of trade unions was advocated by the Trinidad Commission. They can be of definite value to workers

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on the oilfields of Trinidad, on railways, or in such local industries as have been developed in the principal towns. They can also be of value on large sugar estates, provided that these unions are led by men who have some knowledge of the economics of the industry and are capable of giving honest and wise leadership. Recent events in Trinidad give the impression that the newly-formed trade union of those engaged in the sugar industry is lacking in wisdom and leadership, and is being directed by men who fail to realize that sudden strikes during the short grinding season can only increase economic depression, and make it impossible for the industry to improve conditions for the workers. In the present stage of development there is a risk that trade unions may be controlled by mob orators, who have not the real interests of the workers at heart. More control probably be effected by the appointment of labour commissioners, who are able to make a detailed study of the situation in each island with a view to securing for the workers the best terms that each agricultural industry can give.

The Trinidad Commission has also advocated the development of a land-settlement policy. Experience has shown that any land-settlement scheme must be most carefully thought out. In some of the islands peasant proprietors have been encouraged or allowed to take up land without due regard to its cultivable value or to the elements of the question of means of transport. The natural result in such cases has been a failure to make good and the abandonment of the land. Careful soil survey to decide what crops can be produced and the construction of roads to enable the peasant proprietor to market his produce are essential preliminaries to any land-settlement scheme. Furthermore it is not sufficient to settle peasants on land that can merely produce subsistence crops unless they are in a position to grow cash crops or to obtain work on neighbouring estates. A recent report by a local committee appointed in Grenada has suggested that in the island of Carriacou

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the land-settlement policy adopted by the local Government has gone too far. It would appear from the report that the Government bought up the majority of the estates in the island for land-settlement purposes, with the result that, although the natives had no lack of land for subsistence crops, many of them were unable to secure money for their needs by estate labour.

Economic rehabilitation in the West Indies necessarily depends on the efficient working of estates and cannot be secured purely by the development of small holdings. Sugar, for instance, must remain for the most part an estate crop, although in some islands, and particularly in Trinidad, a considerable proportion of canes supplied to factories are grown by cane farmers. In Trinidad some 19,500 farmers are engaged in this industry, and provide 44 per cent. of the canes sent to the factories. Owing to the present low price of sugar the livelihood made by these men is a very meagre one, and the annual incomes of most of them are less than £30. In islands such as Montserrat and St. Vincent, where cotton has become a principal export, there is the added difficulty that the crop is a purely seasonal one and provides full employment to estate labourers for part of the year only, while there is insufficient cultivable land available for the development of a land-settlement policy that would satisfy the needs of a rapidly increasing population. Jamaica has, in bananas, a crop ideally suited for peasant cultivation, but this is now threatened not only by Panama disease but also by the appearance of "leaf-spot," which, by its rapid spread, devastates plantations. The only method of checking this disease appears to be by spraying at a cost estimated at £7 an acre, which is higher than the industry can afford. Efforts to introduce banana cultivation in other islands have so far met with little success.

The most urgent problem of all that has to be faced is the provision of some outlet for the surplus population of many of the West Indian islands. Unless that problem

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is solved, no scheme of rehabilitation can be of permanent value. Possibly a solution could be found by opening up the hinterlands of British Guiana and British Honduras. In the former colony, cultivation is virtually restricted to the coastal areas, and only about 280 square miles out of 89,480 are under cultivation. Up to the present no proper soil survey has been made of this colony. In 1928 the late Sir Gordon Guggisberg, who was at that time Governor of British Guiana, had come to the conclusion that the economic development of that colony depended on inducing East Indian agriculturists to migrate thither, and he opened up negotiations with Mr. Gandhi to achieve this purpose. The schemes that he had in view came to an end with his premature death; possibly they were impracticable, but the fact remains that British Guiana, which in area is larger than Great Britain, has a population of less than 400,000 people. British Honduras, with an area equal to that of Wales, has a population of some 50,000 people, and it is known to the writer that tentative suggestions have been made in the past that migration from the West Indies to that colony might be encouraged.

In contrast, Barbados has a population which already approximates to 1,200 to the square mile and is rapidly increasing. It is safe to say that Trinidad, Grenada, St. Vincent and several of the Leeward Islands are already over-populated, and that the position is becoming more serious year by year. Deplorable social conditions have contributed to a laxity of morals throughout the islands, and Professor MacMillan, in his book *A Warning from the West Indies*, estimates that the proportion of illegitimate children is as high as 70 per cent. These unwanted children provide a serious problem. Furthermore, it is a problem that has received little or no attention in islands where financial stringency has made it difficult for the local administrations to establish homes for the many waifs and strays in the larger towns. Funds are urgently needed to combat a social evil which, if allowed to go unchecked, will

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provide large numbers of recruits for the criminal classes. It is to be hoped that this whole question of over-population will receive the serious consideration of the Royal Commission which the Secretary of State intends to send out to the West Indies; for no permanent solution of the economic difficulties with which these islands are faced can otherwise be found.

Finally, some reference must be made to the relations that exist between the West Indies and the Colonial Office, because rightly or wrongly, many thinking West Indians consider that of late years their interests have not received sufficient attention in Whitehall. Control by the Colonial Office has been intensified during the last ten years, and this has had the unfortunate result of producing a large increase in the amount of office work demanded from local administrations. At a Royal Empire Society meeting in November of last year a retired colonial Governor stated that the number of official communications received in the Governor's office, which totalled about 880 in 1930, had exceeded 1,900 in 1936. He pointed out that this development was making conditions impossible in the smaller colonies, where, for financial reasons, large secretariats could not be established; it was paralysing the administration by preventing officers from giving proper attention to local problems. This vast increase of office work must obviously militate against efficient administration.

It is difficult to believe that the Colonial Office would to-day encourage such independent action by colonies as resulted in the 1927 trade agreement, negotiated at Ottawa with the Canadian Government by representatives of the British West Indies, the Bahamas, Bermuda, British Guiana and British Honduras; yet this agreement has been of immense value to the West Indies. Suggestions from the West Indies that improvements in it could be made by further direct negotiations have been discouraged by the Colonial Office, and it is sincerely to be hoped that an effort to renew the agreement will not be barred.

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Dissatisfaction has at times been caused by what appears to be unnecessary delay in dealing with important problems. For a number of years West Indians have complained that the successful marketing of their products has been made difficult by heavy freight rates. As a case in point, the freight rate for cocoa has been maintained at 70s. a ton during years of depressed prices, whereas the rate for West African cocoa is only 37s. 6d a ton. Until recently the rates charged for the transport of citrus fruit from Jamaica and Trinidad were in excess of the rates for similar fruit from such countries as California and Brazil. The exploitation of British Guiana greenheart and other valuable timbers, it is said, has been made exceedingly difficult by the heavy charges of the shipping lines. In the West Indies competition among shipping lines is largely eliminated by a system of deferred rebates. For example, the principal shipping lines from Europe and England to Trinidad consist of one British, two German, one French and one Dutch line. Freight rates charged by these lines are fixed by agreement among them, and a 10 per cent. rebate is given after a period of six months to every shipper who, within that period, has not used any other than the five principal lines. This method of preventing competition has been made illegal in American ports and might well be forbidden throughout the Empire. It is unfortunate that this question of freight rates has been so long ignored. It is now being referred to the Imperial Shipping Committee, although it would have appeared preferable to have formed a committee representing other interests than shipping to consider so important a question.

Another cause of dissatisfaction has been the opinion that inadequate attention has been paid to the selection of officers for West Indian appointments and that unsuitable men have been retained in key positions. At the same time, the belief is widespread that coloured West Indians, who have given evidence of a high standard of ability and character, are prevented from obtaining positions outside

their own islands. It has been suggested that many of these difficulties could be eliminated if a senior official from the Colonial Office were to visit the West Indies each year for the purpose of discussing local problems on the spot, and acting as a liaison officer between the Secretary of State and Colonial Governors. Such a scheme might do much to secure more rapid decisions on urgent problems than are at present achieved by correspondence, and it is one that might well be considered.

BRITAIN AND ITALY: PAST AND FUTURE

By a correspondent

I. PRE-WAR ITALIAN ASPIRATIONS

AN Italian national State was the dream and desire of some of the noblest sons of Italian soil during the centuries when Europeans of all nations dared to hope for a better human society than anything known in a barbarous past. While Frenchmen and Englishmen made programmes to reform existing States, Italians had their national State yet to make. Although efficient sceptical people—Cavour the first of them—limited their hopes to an improvement of Italy up to the standard of countries already nationally organised, Gioberti and Mazzini called for an Italy that should be, at the very moment of its birth, superior to anything that had yet been seen in the world. Gioberti (before the disillusion of 1848) wanted the Pope to rule over this Italy, and to draw the civilised world into unity around it. Mazzini wanted Italy to incarnate a new religion of “Thought and Action”, with the “duties of man” (as opposed to the French “rights of man”) instilled into every citizen’s heart.

Although the Savoy monarchy, the Piedmontese army, and above all Cavour, pressed Anglo-French constitutional forms upon the newly united nation, Italy until well on in the twentieth century bore something of the character of a nation without original sin, that is to say, without aggressive ambitions—and, as some said, without the corresponding virtue of self-reliance and conscious responsibility for a share in the world’s affairs. Italian policy, if you read the statements of it over a long period, seems at one and the

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same time to claim and to repudiate with indignation a peculiarly high moral standard. In these most recent times Abyssinia is conquered to free the slaves, Spain invaded to defend Christian civilisation: yet Mussolini seeks land, wealth and power for Italy, without (it is constantly boasted) any hypocritical make-believe such as British imperialists have employed to disguise their plans.

In 1884, an Italian statesman is to be found claiming for Italian policy a unique but profitable innocence: the claim is made in an interview with a *Times* correspondent, who was exercised about the recently formed Triple Alliance.

In answer to my question whether the Italian people would not become somewhat anxious in view of the appropriation of the globe in which at this moment several Powers were striving to outvie each other, Count de Robilant said that he decidedly doubted it. Italy, he remarked, had no colonial aspirations, and Italian colonisations were different from all others. The Italians colonised without annexing. The Argentine Republic was almost exclusively of Italian extraction, and bore an Italian character, and was as good as a colony for the commerce of Italy although there was not a shade of State connection. . . . This system of colonisation had the advantage of being exempt from political and financial drawbacks. Assab was originally intended as a convict colony and only became a commercial colony when owing to its nearness to the Peninsula the first intention had to be abandoned. What was suitable for England, France, Germany—in short for countries whose highly developed industry required an extensive export trade—was not suitable for Italy. For this reason he thought the announcement very improbable that Germany and Austria had promised Italy to support her colonial policy, since a thing which did not exist hardly required support.*

Even thirty years later, after a quarter-century of intermittent African wars, Francesco Nitti could still write: “Italy is the liberal great Power: the freest country in Europe. Among all the groups competing to dominate the world, Italy appears the one country whose aid can be invoked (by Balkan and Eastern countries) without fear that the help may be transformed into a humiliating protectorate or a concealed domination”. †

* *The Times*, August 30, 1884.

† *Il Capitale Straniero in Italia*, Bari, 1915, p. 23.

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Meanwhile some Italians regarded this reputed harmlessness as dangerous or even shameful, while outside observers, with various feelings, acknowledged Italy not so harmless. In 1884 an English student of Italy wrote :

It must be a matter of the gravest import and interest for the diplomatists and statesmen of Europe that the military organisation of Italy is advancing by leaps and bounds until from a purely defensive movement it threatens to become an active factor in the military politics of the future. . . . It is enough to breathe a suspicion of foreign hostility, and the war spirit of the country speaks from the mouths of all; party animosities and regional envy and malice will assuredly give way before the stirring considerations of a great State policy.*

That particular observer watched the development of Italy as an armed nation with contentment : he foresaw an Italy more populous and disciplined than the "beatified republic" of France, where (he says) "Malthus holds sway, quickened by immorality, the child of atheism". Against France, Italy was to be a powerful stable buttress.

But meanwhile Italian policy overreached itself, and, if no longer harmless in intention, Italy seemed what was worse—helpless. In 1887 Francesco Crispi, autocratic veteran of the struggle for unity, succeeded in imposing himself on a distraught Parliament, and ruled at intervals for ten years. His predecessors, in the spirit of the statesman first quoted, had refused opportunities for the annexing or controlling of Tunis and Albania, and declined an invitation from Great Britain (1882) to take joint action in Egypt. Not satisfied with a Platonic expansion through emigration, Crispi looked to see what overt conquests Italy might still achieve in Africa, and marked down Abyssinia. Crispi's agents helped Menelik to establish himself in Addis Ababa as Negus Negusti. Menelik signed the Treaty of Ucciali, apparently promising to hand over to Italy the conduct of all Abyssinia's relations with the outside world ; but shortly

* *Military Italy*, by Charles Martel, London, 1884, pp. 10, 25.

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afterwards he repudiated the Treaty, and defeated with great slaughter the Italian punitive expedition sent to bring him to book. Almost in a day the Italian parliamentarians, under popular pressure, hounded Crispi out of office (March 1896), leaving another generation to plan a revenge for the disaster of Adowa.

II. THE BRITISH REACTION

FROM the first years of Italian unity until Adowa and some time later, Italy had surely given England, by her rivalry, no moment of disquiet. The *Times* correspondent in Rome in the 'nineties, W. J. Stillman, reproved several Italian Ministers for complaisance towards France and Russia, thus (given the relationships of the time) swinging away from the connection with Berlin and Vienna, which London favoured. He hardly thought possible a serious divergence between British and Italian interests.

British disquiet about Italy was altogether of another sort. Italy had ventured as a colonising Power into East Africa : well and good, if the effort had been equal to the ambition. But native Africans had found out that they could lay low the armies of this weakest of the European great Powers. The British wondered if they had been altogether wise in encouraging Italy to undertake the responsibilities and try to keep up the status of a great Power. Among the monarchs congratulating Victoria at the Diamond Jubilee in 1897, Humbert of Savoy, whose dynasty she herself had long regarded as little better than robber princes occupying the lands of Bourbons and Hapsburgs, must have loomed very small. King Humbert's death three years later at an assassin's hand, after half a decade of political disorder, must have confirmed many in their small esteem for political Italy as an actor in world politics, and made many Italians vow desperately, though half

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despairingly, to rehabilitate her. As a matter of fact, far from the centres of high politics, new Italian industries were springing up, and the champions of a stronger political Italy could appeal to a generation with wits sharpened by new economic opportunities.

For the moment, after Crispi's downfall, men of a mild and (in the present Italian jargon) "renunciatory" outlook took charge. Thinkers of the positivist school, who regarded flags as fetishes and heroes as megalomaniacs, strongly influenced the radicals and freemasons who were the Ministers of the young King, Victor Emmanuel III, himself in no way disposed, as far as could be judged, towards national adventures in arms. Those who held, on the contrary, that without adventures, and successful adventures, Italy could never attain mature nationhood, and, moreover, would never achieve a secure material well-being like that of other countries, summoned their countrymen to new efforts from the pulpits of various political persuasions. Advocates of a firmer and even a fiercer political demeanour were found on every side. Thus while the Socialist parliamentary party—now, with the growth of a factory population, becoming important and respectable—had denounced Crispi's adventure both before and after Adowa, Antonio Labriola, the leading Marxist theorist, was an out-and-out colonial expansionist. Papini and Prezzolini (later to be well known men of letters) set about promoting a Nationalist party, but they soon left the field to Enrico Corradini, now commonly called the "precursor" of fascism. Above all, d'Annunzio, already well established in fame as the poet of erotic exuberance and despairing satiety, turned to a Nietzschean cult of war. Having a year or two before expressed in a notorious phrase his indifference at the death of Italian soldiers slaughtered in Abyssinia, he became an ardent propagandist for collective "dangerous living". "For some time past", wrote a British journalist, "this writer has been rapidly developing into an Italian Kipling

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—and a Kipling, I need hardly say, is out of place in any but a very great Empire".*

* * * * *

Italy went to war in 1911 in order to capture from nominal Turkish rule the last strip of North African coast obtainable without direct conflict with a great Power. The British and French Governments tolerated or approved the war, which brought Italy into some bad odour in Germany, then posing as a protector of the Moslem world. But the British radicals condemned the aggression, and between their press and the Italian supporters of the war exceedingly harsh accusations were exchanged. Francis McCullagh's *Italy's War for a Desert*, written after his return from a journalistic assignment in Tripoli, assails Italy in these terms :

Italy is, in short, the militant suffragette of the nations. She breaks diplomatic, international, hygienic and strategical laws as Miss Christabel Pankhurst breaks windows, and then she raises an ear splitting hysterical yell if anybody ventures to criticise her.

He quotes, too, from an unnamed British colleague :

Italy, the flower of our Western world whom we so loved and pitied fifty years ago ! It is well that we should be reminded of our folly in that we believed in her tears and thought that liberty would be a cure for her secular griefs. Her tears are dry enough now, and she stands before us hard-eyed, brazen-cheeked, the harlot of Europe boasting with loud tongue her shamelessness.

McCullagh reported the Libyan war for the *Westminster Gazette* and the *Daily News*. He declares in his preface that he addresses his book "not to those cold-blooded calculators, the statesmen and publicists who want to detach Italy from the Triple Alliance . . . and who therefore think it better that we should all keep silent in this country about Italian doings in Tripolitania. When they look out on the continent of Europe these gentlemen can only see one nation there, Germany . . . they do not realise that

* McCullagh, *Italy's War for a Desert*, London, 1912.

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Germany may be our ally to-morrow". He mentions other classes of Englishmen who would not want to read the condemnations of Italy in his book: those who sought advantages in Egypt in return for countenancing Italian action in Libya; those who had helped in the unification of Italy and could not believe that unified Italy could do wrong; those who were dazzled by Italian civilisation and picturesqueness; those who supported the Italians because they were Catholics; and those who favoured the Italians in Libya because the Italians favoured England in the South African war. In the event, Germany was not "our ally to-morrow".

The Italians met British criticism with retorts that were not too delicate. When, during Italy's neutrality in 1914-15, the brilliant Neapolitan journalist Edoardo Scarfoglio provided the pro-Germans with the classic anti-British pamphlet, *Il Popolo dai Cinque Pasti* ("The Five-Meals-a-Day People"), he may have been taking his revenge for the journalistic assaults of two years before. He died without completing the pamphlet: his executors appended a note in these terms:

To round off his series of pictures of British conquest in its eternal traits of greed and high handedness, the author intended to formulate the hope, calm but forceful, that new forces would break the iron ring forged round the world by British gold and tyranny; and that the submarine, weapon for the adventurous rather than for the domineering, would put an end to the command of the sea by great ships, avenging the Armada of Catholic Spain, liberating the Mediterranean, cancelling the work of the Elizabethan corsairs by the deeds of new corsairs.*

III. WAR AND ITS AFTERMATH

IF after May 1915 any Italians still felt like that about Great Britain's Mediterranean dominance, they kept their feelings to themselves. With the controversies of the peace, however, new grievances were felt on the Italian

* *Il Popolo dai Cinque Pasti*. Reprint, Rome 1926.

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side. On the British side, those who had (or would have) taken the part of Turkey in 1911, were for Yugoslavia in the affair of Fiume, and, far more strongly, for Greece in that of Corfu. Some of the new Italian grievances may be briefly recalled. The British and French, after inviting Italy into the war on certain terms (the Treaty of London, April 1915), made secret agreements between themselves and Russia (May 1916) for a rearrangement in the Eastern Mediterranean without compensation to Italy and in violation of the undertakings given to her. After proclaiming acceptance of President Wilson's Fourteen Points, especially Point 9,* the Allies denied the Italian racial claim to Fiume. President Wilson refused to recognise the Treaty of London: the Allies themselves did not fully back up Italy's insistence upon it, and later they evaded implementing it. To these diplomatic grievances were added the hardship caused by the British surcharge on coal for export, on which Italy's industries were dependent, and by the restrictions on Italian migration to the countries of the British Empire as well as to the United States.

To all this must yet further be added the feeling in Italy that British soldiers and politicians neglected (almost like the French) to give due value to Italy's contribution in the war, failing to recognise with what moral energy and at what economic cost a poor country, still only in its second generation since national union, had brought into the field armies in some respects comparable with those of the old and wealthy Powers. To the Italians, their allies seemed to remember only Caporetto, and to view Caporetto as the rout of a force in the field rather than as a momentary crisis of an overstrained nation, insufficiently united at home to give full support to allies that had alienated sympathy by acting dubiously towards it.

* Point 9 was as follows: "A readjustment of the frontiers of Italy should be effected along clearly recognisable lines of nationality". Cf. *The Round Table*, No. 33, December, 1918, p. 41.

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With such recollections in his mind, Signor Mussolini, in one of his earlier programmatic speeches as leader of *fascismo*,* denounced the League of Nations as "a sort of Holy Alliance of the plutocratic nations of the Franco-Anglo-Saxon group to guarantee themselves the exploitation of the greater part of the world". He proclaimed the purpose of "liberating Italy gradually from dependence on the great western plutocrats, by developing our own internal productive forces" and promised "a demand for colonies according to the rights and needs of the nation". He concluded with these words: "It is fated that the Mediterranean should be once again ours: that Rome should be the directing centre of Western civilisation". Later (1922) he wrote in the *Popolo d'Italia* (the sentence is here requoted from a reliable German source): "We must hold ourselves ready for the possibility of a practical anti-British policy. It is not in Italy's interest to contribute to upholding British imperialism, but rather to help in destroying it". Thus, a few weeks before becoming Italian Prime Minister and Foreign Minister, he demanded what no responsible Italian politician had ever thought of mentioning, an "anti-British policy".

Mussolini was one of those who had grown up in the ten years after Adowa. As a Socialist, he opposed the Libyan war, but more through the automatism of his party alignment than on any grounds of policy. But the men of his generation who rose to power, whether (like Mussolini himself) as Marxists intent upon a socialist dictatorship at home, or whether as nationalists whipping up their blood for adventures abroad, were scornful of the Franco-British model on which Cavour and the Piedmontese had fashioned the Italian State. Yet their scorn was not that of a Mazzini, who blamed in such a state the lack of faith in freedom and fraternity which could not dispense with kings, armies, clergy and diplomats: it was the scorn of men who wanted acquisitive appetites to be openly acknowledged,

* Trieste, February 1921.

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and governmental power to be stripped of the pretences (judged never likely to be more than pretences) of obedience to the will of the governed.

Men of high moral standing and mental attainments joined with tumultuous demagogues in denouncing the theories of parliamentary democracy. Many of them, for sure, denounced the more freely because they believed parliamentary democracy too strong to be seriously damaged by such prodding; but in the turbulence of the after-war their taunts were more effective than they expected or wished.

Englishmen who for personal or professional reasons had to take note of the fascist *coup d'état* in 1922 generally approved of it as putting an end to "Red" riotousness: some few, having seen the blackshirts in action intimidating opponents, destroying clubs and co-operatives and newspapers, conducting punitive expeditions against helpless villagers, favoured the defeated factions. But those who approved and those who disapproved could both equally assume that the blackshirts had merely overridden Parliament more brutally than Crispi, Giolitti, and other Italian "democratic dictators": sooner or later they expected to see the Fascists pass into the ranks of the parliamentary Conservatives much as the French Socialists had since 1900 turned to a purely constitutional activity. The English Conservative papers found excuses for the Fascists while waiting for them to settle down and behave like loyal Tories: the Liberal and Labour papers saw in each new fascist repression of Parliament, the press, and free institutions in general, a reactionary attempt to hold down by exceptional decrees the nation which through these institutions was pressing for social and economic reform: and no doubt Mussolini depended largely on the support of reactionaries who were glad enough to see him silence the spokesmen of the poor and discontented. But once he had this power, who was to stop him from silencing equally the voices of the comfortable and satisfied? Meanwhile,

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the wealthy and privileged in Italy accepted Mussolini as their plenipotentiary policeman for the time being: and for the moment the British Government, perhaps the French also, found the Mussolini Government easier to make use of than its demoralised predecessors.

Actually, in making Parliament, the press, the universities and the professional organisations simple echoes of his own pronouncements, Mussolini came to control the flow of judgments from England and France which for two centuries had been conveyed by those agencies to the Italian people. In his earlier years of power, indeed, he countenanced the views of history and economics which Italians of European culture were teaching, intercepting only what his obstinate opponents would have made use of. The Italian free-traders believed at first that Mussolini would listen to them as no predecessor had done: fifteen years afterwards Italian economists were officially summoned to teach the economics of self-sufficiency instead of "Anglo-Saxon" theories. With each year Mussolini annexed, weakened or annihilated some major or minor Italian organ of foreign influence—Freemasons, Boy Scouts, Society for the Prevention of Cruelty to Animals, Protestant missions. Thirty years ago Englishmen were often at the head of charitable and social movements in Italian towns. Long before the Abyssinian war and the official banning of all things British and French in protest against the "crime of sanctions", Italy, under fascism, had rejected what an earlier generation had been glad to take from richer and nationally older countries—pre-eminently from England.

By 1935 our politicians and diplomats had drawn no lessons from this: they either believed that a British Minister and a British Ambassador, tapping Mussolini on the shoulder, would find him at once as attentive and impressionable as an Italian of King Humbert's day, or else they presumed on being able, with the smallest sign of a naval displacement in the Mediterranean, to bring him to

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his senses as they had done in his first year of office, when under such pressure he had been brought to evacuate Corfu. The British Government appeared still to view Mussolini as the useful employee of the major signatories of Versailles: the British Opposition leaders still regarded him as the turncoat socialist in the service of Italian plutocrats, making a last vain attempt to suppress the Italian working classes, easy therefore to bring toppling down.

Thus British statesmen with almost complete, though variously shaded backing in the press and Parliament, instead of choosing between acquiescence in Mussolini's East African policy and full-blooded opposition to it, first pretended to notice nothing, then gave a show of disapproval with a hint of threats. In so doing they ranged all Italy behind Mussolini: for Italy reasoned that either Great Britain was playing a deep game, luring Italy into war by delaying the show of force until it was too late for Mussolini to draw back: or else that Great Britain believed she could exercise authority over Italy without showing her ability to enforce obedience.

The writer has travelled up and down Italy many times in these years. He has witnessed the tragic alienation of true Italian patriots from a country captured by Cæsarism: also the energetic and various labours of men reconciled to Cæsarism in planning for war, public health, and collective splendours. He cannot deride these people's claim to be capable of as rich and strenuous a contribution to human existence, in the world to-day, as any other nation: he dare not think lightly of their power in arms. He has known Italians to speak lightly and vaingloriously about their readiness to fight another war to gain respect: but scarcely any, and none worth speaking of, who would not rejoice to think that they need take no such ruinous steps to get their due.

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IV. GULFS AND BRIDGES

SINCE the Reformation, Great Britain had until lately at an almost consistent rate out-distanced in populousness, science and wealth the countries of the old faith. We need in no wise renounce our claim to have then begun to shape, on richer and purer principles, the modern state to which in these two last centuries others have chiefly looked as a model. But may not the countries of the old faith perhaps enjoy, by virtue of the greater continuity of culture which they have been able to preserve, a slower, steadier development? Englishmen cannot afford to look back solely on the few centuries of their astoundingly rapid advancement for clues to the natural relations of their race with others in Europe and the world.

From this point of view, in considering relations between Great Britain and Italy, we must pray that we be not involved in a crude religious or "ideological" conflict, at a moment when we too, on our side, have so much more reason to think out our "ideology" afresh than to denounce the ideologies of other peoples.

Without forgetting for an instant that the present rulers of Italy have gained their eminence by flattering their countrymen's ambition to be considered soldierly and combative, we may yet credit them with the intelligence to prefer a square deal between mutually respectful neighbours to the infliction, each upon each, of hideous damage. We may start, then, with trying to promote some mutual respect. The countries hear of each other chiefly through heated journalistic exchanges. Might not some British military and naval experts endeavour to give us an appraisal of the Italian armed forces—their recent achievements, their part in the great war and the lesser wars, their present preparedness—with an eye primarily to their organisation and efficiency and not to their all too obvious perilousness—in certain contingencies? Might not British trade unionists find it worth while to study wage-contracts,

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factory conditions, and price control in Italy, regardless of the uniform worn by officials of the corporations?

What are the fundamental questions of Anglo-Italian relations? Surely above all these: how Italy can feel secure of entry and exit in the Mediterranean, though Great Britain's navy might blockade it at either end; and how Great Britain can rely upon passage through the Mediterranean, though Italy might cut the passage in the middle. Beyond these, either party may suspect the other of intending to pounce upon its possessions. Once the parties were mutually respectful, they would probably be less suspicious of each other: though, as has been truly said, a general staff with nothing else to do would always find it necessary to fortify the moon against Mars, and so long as Europeans cannot freely move themselves or their goods across frontiers, they will cry out against certain "unjust" apportionments of the earth's surface.

Admittedly there are great difficulties in the way of an Anglo-Italian understanding about Spain. A dissertation on Italy's relations with France and Germany, quite outside the scope of this article, would be necessary for the advancement of any clear-cut view of what seems possible. Mussolini's Italy has no advantage in permanently damaging France for the pleasure of Germany. If Mussolini were deprived of the plea that powerful or prospectively powerful groups here and in France were planning to bring pressure in purely Italian affairs, he would have a much harder task in getting his people's support for continuous intervention in Spain, let alone for the ambition (if he has it) to establish himself permanently in Spain. And Mussolini himself would think twice before provoking France by accusations of "anti-fascist" plotting, once French internal feuds were somewhat appeased and France was in consequence more sure of cordial British approval of her national policy.

England and Italy can best approach an understanding by being quite clear that neither country plans to force upon the other, directly or indirectly, any form of political

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philosophy. Italians, and nobody else, must decide what sort of state they want: while we, having created for ourselves through the travails of the Reformation, a working compromise between religious authority and religious liberty, possess institutions which we shall not easily give up merely because countries with other histories have failed to adapt them to their own circumstances. In extending a natural sympathy to those Italians who find our institutions desirable, we must never let it be suspected that we wish such institutions to be thrust on nations where the guiding class does not demand them, or demands them under a different external form. Rid of such suspicions and subject to military precautions which neither country would renounce in a great hurry, the framers of economic policy in both countries might find prompt advantage in British co-operation in the equipment of the new Italian empire. In the longer run, however, we must face the question of admitting Italian emigrants as well as Italian goods to British territories, if we are to be able, with any conviction, to ask the growing Italian people to renounce combatant imperialism in favour of that peaceful Italian expansion which the apostles of Italian unity preached and foretold.

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I. THE NEED FOR LEADERSHIP

THE British public has taken three years to become conscious of air raid precautions as a necessary factor in the life of the civilian. Yet for some time it has been clear that without them the country's armament programme and foreign policy rest on a frail foundation. This reluctance to face the implications of a Europe in arms has been both cause and effect of the official attitude.

Air raid precautions began casually because the public were casual. The public were casual because their Ministers seemed casual. This is a vicious circle out of which Great Britain is only just beginning to emerge. Even now official spokesmen prefer to call A.R.P. a third or even a fourth line of defence, and they qualify their appeals for a national effort with the fervently expressed hope that the new organisation will never be called upon to function. Ministerial timidity has hampered the A.R.P. department of the Home Office from the outset. There may be legitimate hesitation about the bold handling of what is called "political dynamite". But the job of leaders is to lead. It is a sad reflection on democratic leadership and democratic loyalty that the whole matter was until recently handled in so tentative a way. Wherever, in the provinces, there has been bold leadership, A.R.P. has prospered. Where there have been timidity and half measures, the plant is a sickly one. In the last five months there has certainly been an improvement. The announcement in June that Mr. Geoffrey Lloyd, the Parliamentary Under-Secretary to the Home Office, would devote his whole time to A.R.P.; the

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calling of the committee under the chairmanship of Sir John Anderson to study the problems of evacuation; the development of active publicity, and the reorganisation of the A.R.P. Department at the Home Office under a permanent under-secretary of state, Mr. W. G. Eady—all these events are signs of a fresh initiative.

The improvement has coincided, significantly, with a change of attitude on the part of the Opposition, as revealed in Parliament and the press. Denunciation of the very idea of A.R.P. has given place to criticism of its shortcomings. The democratic zeal that was manifested over Spain and Czechoslovakia is being called upon to tackle a solid job of work at home. Even many pacifists, and the supporters of a policy of universal collective security, are coming to admit the need for passive defence and to drop the argument that the preparation of civilian defence inculcates war-mindedness. Both wings of political opinion now recognise that in air raid precautions lies the opportunity for a great demonstration of the virility of a free society. But as yet we are feeling only the first stirrings. There is still room for that inspired leadership which was demanded from both sides of the House in the last Commons debate on the subject. Public opinion needs to be guided, not followed, and there are few members of Parliament who have taken more than a perfunctory interest in the precautions of their own constituencies.

II. THE STRAIN ON LOCAL GOVERNMENT

IT has not been sufficiently realised that our A.R.P. schemes are based on a German model. The German scheme is based on the framework of the National Socialist party. This is a homogeneous organisation, which provides a *cadre* of persons and departments covering every part of national life and every social class. No corresponding organisation exists in England. Even the idea of the air raid warden—a dreary title—is a natural child

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of the “leader principle”, to which democracy takes kindly only in moments of crisis. In Germany the problem of enrolling every individual in national defence arrangements is solved by the fact that the German has to do what the party tells him, or suffer in his social and economic life. The British problem has been to find a substitute system that will be both free and effective.

The almost reckless experiment has been adopted of putting a large-scale defence plan into the hands of local government authorities. Perhaps this was the only way in which it could be done. But there are evident drawbacks. The local government official is essentially a departmental expert without special training or aptitude for A.R.P. work. A town clerk has often neither the taste nor the talent, let alone the time, for the work of chief warden. Secondly, and more important, in our large industrial towns and suburbs local government does not command that local patriotism and community spirit which is the rule in the small town and village. A.R.P. itself may do something to remedy this. If it succeeds, as it is succeeding in some places, local institutions may come under the influence of a most valuable revivifying process.

Until recently the difficulties of the local authorities were unnecessarily increased by the scarcity of expert advice and of trained A.R.P. officers. Decentralisation looked like running riot. But the creation, six months ago, of a central school in London for A.R.P. officers has provided a centre for the pooling of ideas and the training of the novice by the old hand. The appointment of 13 regional inspectors also secured more effective supervision and gave A.R.P. something like a general staff. The fact remains that until the beginning of this year practically the whole burden of thought, organisation, propaganda, and stimulus was left to one man, the present Inspector-General of A.R.P., Wing-Commander Hodsoll. To him the public owes a very great debt.

This view of the difficulties of entrusting local government

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with the organisation of passive defence is borne out by the contrast between London and the provinces. The position in some metropolitan boroughs is pathetic. The City of London, the centre of the Empire's finance, communications and shipping, should be ashamed of its backwardness. In one or two largely middle-class boroughs—Westminster, Chelsea and Holborn—a great deal has been done. But their leaders would be the first to admit that they are not ready to deal with an air raid. In the poorer boroughs of north and south London—to say nothing of the East End, which is an immense problem in itself—the position is almost desperate. Huge working-class populations, some of them frequently changing quarters, are without experience of that service to the community which can be given by a leisured class. That is not their fault. They live in streets and houses, many of which are obviously beyond protection. The conditions in which they live, the political views that they hold, have created an attitude of mind which only the ablest leadership and the most carefully planned publicity can modify. Some of their political representatives are setting excellent examples. But years of political thinking directed to the hope of permanent peace and increased security of life, combined with ingrained suspicion of the policies and motives of a National Government, present a very tough problem for democratic leadership. It is a problem far beyond the capacity of a local government official or an ex-service A.R.P. officer. It is one for statesmen and publicists of all shades of opinion. London is the core of the A.R.P. problem. The London area with its eight million inhabitants is the best bombers' target in Europe.

It would be unfair to imply that the working-class supporters of the Labour party are giving rise to peculiar difficulties. Similar criticisms hold good of the black-coated suburban resident and of the wealthier business man of the Midlands and the North. The fashion now is for such people to leave their city or town when the day's

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work is done. Sometimes they refuse either to provide adequate precautions in business premises or to take an active part in municipal schemes. The type of person and experience most needed in A.R.P. is often engrossed in the far less important protection schemes of rural communities, or else is altogether indifferent. Retired professional men and officers from the services are invaluable for this type of work. But they tend to congregate in areas that are of no strategic importance at all. This fact alone suggests that a system of peace-time registration is advisable if energy and talent are to be properly distributed in the event of war.

III. PROBLEMS OF MAN-POWER

THE efforts of authorities to recruit volunteers have been hampered by rapid and unnecessary changes of fashion in A.R.P. Certain sections of the press and some rather thoughtless members of the House of Commons have harried the Home Office with demands for shelters for all, evacuation for all, concrete for all, and recently trenches for all. As a result, the lines of official policy have become badly obscured. The original plan was to concentrate on anti-gas training, enlistment of wardens and firemen, and the distribution of gas masks to every member of the population. This was sound, not because gas was the only or even the most important danger, but because it ensured immediate contact between local authorities and individual households, the most vital element in A.R.P. Just when the public was getting "gas conscious", however, it was suddenly discovered that high explosive was the real danger. Concrete shelters for all were thereupon demanded, as well as the use of the London tube stations—a ridiculous suggestion. When the financial and constructional implications of this shelter policy were realised, there came a demand for trenches and for evacuation of half the population of London. The result has been that local

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authorities have been harassed by waves of public opinion, bringing with them amendments in official policy. Those who have travelled round the main centres agree that local authorities are confused about the order of importance of the twenty-odd aspects of A.R.P.

The original emphasis on gas training and the distribution of masks at least ensured the training of an expert personnel, contact between the authority and the individual for the fitting and choosing of masks, and attention to the possibility of making each house and each family a unit of defence. The Englishman was asked to remain in his castle. Moreover, the fact that over 300,000 people have received anti-gas training and that masks are ready for the whole population is an excellent assurance against the possibility of gas attack from the air. To-day there is a tendency to overlook the individual, who is the main concern of A.R.P.

This insistence on the individual household and the problem of man-power needs emphasis. From the first, the official policy has been dispersal as opposed to concentration. That means that A.R.P. (except in the factory or school) is built up on small units like the household, not on large units like two thousand people in an underground shelter. If the small unit is to work efficiently, the whole population without exception must have learnt something about A.R.P. To teach them, even to arouse their interest, is a task for the two million volunteers that Sir Samuel Hoare has asked for. We are back, therefore, at the problem of man-power—and woman-power. The present state of recruitment and training is surveyed later in this article. It is not satisfactory and will not become so until policy develops on bolder lines.

The ambiguity of the Government's man-power policy is discussed elsewhere in this issue of THE ROUND TABLE. It is sufficient to say here that those in charge of A.R.P. are seriously embarrassed by uncertainty about the position of the man under 45. Several branches of A.R.P.—notably fire-fighting, clearance and demolition work, and the more

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gruesome sides of first-aid—need men morally and physically in their prime. But until it is officially admitted that the A.R.P. volunteer is part of the first line of defence, the claims of the Home Office and the War Office will overlap, and first-rate material will be reserved for ill-defined military tasks.

IV. DEFENCE AGAINST PANIC

THE great importance of securing first-rate personnel for A.R.P. has been emphasised lately by those who have studied the problem of panic.* The civil population are in the front line in modern warfare. Its object is to make normal life impossible for the hostile nation. Where the enemy's strength is bound up with the maintenance of food supplies and industrial processes, the obvious target for the aeroplane is the industrial and commercial area. Killing becomes far less important than dislocation, which it is hoped to achieve through panic induced by terrorism. The modern town is so built that military and civilian targets cannot be separated. Therefore a scheme of defence must cover the whole population at home and at work. The best antidote to panic, which is notoriously infectious, is the organised effort to hit back, or at least to put up a defence. An isolated individual or an unorganised crowd is denied that antidote.

It seems to follow that the concentration of people in large shelters is risky and the dispersal of individuals into their family or working groups wise. Large scale evacuation holds out infinite possibilities of panic and disorganisation, besides being at the mercy of accurate bombing. Evacuation breaks up the family, the group with the strongest emotional ties. If the men go with their women and children, economic activity comes to a standstill and the enemy achieve their objective.

* See *The Lancet*, June 4, 1938. "Panic and Air Raid Precautions: Notes for Discussion", prepared by John Rickman, M.D. pp. 1292-5.

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Fire, debris, gas and communications are matters for a comparatively few trained experts. But panic, the greatest enemy of all, can be defeated only by the individual citizen himself. As many people as possible must have something useful to do in an emergency, either in self-defence or in the assisting of others. Panic may arise before, during or after an air raid. As the writer in the *Lancet* points out, one of the common results and causes of panic is distrust of authority. Nothing is more likely to cause panic than the discovery after a first air raid that A.R.P. offered less security than had been expected. The rationality of the human being is the best safeguard against terror. But that rationality must not be deceived by false assurances and soothing words. No doubt an anti-gas course leaves pupils with few illusions, but millions of untrained English people have only the vaguest ideas of the real dangers of air raids and the possible precautions to meet them. Those millions must be told; until they are, volunteers will only trickle in. A national effort at publicity is needed this autumn if Sir Samuel Hoare is to get the recruits he asked for in May. Only candour can reveal the full immensity of the task of A.R.P., and only candour can leave critics without a basis for accusations of bluff, window-dressing and ineffectiveness. We need very frank information of what has been happening in Spain and China.

Defence against panic therefore means widespread group activity and widespread knowledge. Knowledge can be communicated only by trained volunteers, and the volunteers will come in their hundreds of thousands only when they are told the full danger and the full importance of the task awaiting them. Here is a chance for a Minister willing to emulate Mr. Gladstone in Midlothian! Official tours should pay less attention to the latest type of syren, or the latest method of filling sandbags, and more to the problem of the householder who knows literally nothing about A.R.P. in his district. The door-to-door visit should be tried in more areas, even if the warden does not always get a

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warm welcome. Hoardings and passenger vehicles should be used for publicity, as they have been used abroad. The cinema and the wireless have not been employed nearly enough.

The local authority is obliged by law to provide a scheme of protection. How can it do so if the man-power is not available? If the men and women are recruited, as they should be, from all classes, it cannot be argued that an instrument of "class domination" is being set up. They are given no weapons, no powers. The case against military conscription does not apply to A.R.P.

There are also strong arguments for bringing pressure to bear on local authorities who are clearly muddling or delaying their work. It has been recognised in too few areas that air raid precautions need a special department in the town hall, should take precedence of most other local affairs, and should on no account be the spare-time occupation of a single local-government official. Where there is inefficiency or neglect, ratepayers' committees might well transform the situation.

It has been calculated that at the present rate of enrolment we shall have all the volunteers we want by the end of 1943—if war does not come in the meantime. With its present resources, London cannot enrol and train its 30,000 badly needed auxiliary firemen in less than two years. At the date of writing, Southampton, the most advanced town in England in many respects, has received no new fire-fighting equipment at all. In fact there seems as yet no sign of a time-limit for A.R.P., as there is for air force expansion and naval building. The Home Secretary's call for another million volunteers by next January is the nearest approach to such a time-limit.

There is still awaiting Ministers a great opportunity for leading this vast democratic experiment with courage and candour. Public opinion seems to be turning away from the apathy of post-war years. It is grasping more quickly than its leaders that A.R.P. is partly a military problem.

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Enthusiasm is waiting to be roused, but it must be assured that its work is of the first importance, as essential as that of the sailor, the soldier and the airman. And, if that effort of leadership is to be made, steps should first be taken to ensure that A.R.P. authorities are everywhere ready to cope with a flow of new volunteers. The experiences of London volunteers who were turned away during the Austrian crisis must not be repeated.

V. FACTS AND FIGURES

IN surveying the progress made with A.R.P. in various districts, certain considerations must be borne in mind. First, different areas began their A.R.P. schemes at different times. Whereas in some places organisation was launched as far back as 1936, others have only begun since January of this year, when the A.R.P. Bill made preparations obligatory. Even now, some areas and boroughs are still advertising for A.R.P. officers, and there are places where training facilities are unable to cope with the number of volunteers. Secondly, where there are still deficiencies it is important to examine what has been the rate of recruitment hitherto, remembering that the last six months have been a time of international tension. That fact has certainly stimulated recruitment. A relaxation of tension, unless accompanied by intensified publicity, might lead to flagging effort in the autumn. Thirdly, figures and paper schemes sometimes disguise shortcomings. Figures say little about equipment, intelligence organisation—curiously neglected in some quite advanced schemes—standards of training, protection of vital services and the degree of contact established between authority and public—the most vital matter of all. Lastly, there is always the possibility that A.R.P. standards may be revised. The numbers of demolition and rescue squads, for example, will almost certainly have to be increased in the light of Spanish experiences. With these qualifications in mind it is still possible to feel pride at the

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energy and self-sacrifice that are represented by the figures of trained personnel for the whole country, now approaching the 400,000 mark.

It would not be difficult to draw up figures of A.R.P. recruitment which should form a sort of championship table for the towns and counties of the country. But in view of the variations in training standards and the differences in the periods of time during which schemes have been under way comparisons are very difficult to make. The following figures however give some idea of good and bad boroughs.

	<i>Personnel Required.</i>	<i>Enrolled.</i>	<i>Trained.</i>
Salford	4,010	944	45
Birmingham	35,000	9,752	2,486
Liverpool	23,693	12,436	7,478

It has been difficult to secure similar figures in all cases, particularly for the London boroughs. Nottingham, Southampton and Manchester are well in the lead, and of the London boroughs, Chelsea, Wandsworth, Holborn and Paddington have made a very creditable showing. But the amazing variations from town to town in the same area are well shown by some returns from Yorkshire. Figures given are the percentage of all necessary personnel enrolled to date :

	<i>Per cent.</i>		<i>Per cent.</i>
Middlesbrough	74	Bradford	20
Doncaster	81	Hull	5
Halifax	24		

These figures need no special interpretation. "Poor" areas are backward because of their natural reluctance to begin organisation until the financial question was settled with the Government late last year. The special difficulties of boroughs with preponderantly working-class populations have already been discussed. The political views of the council sometimes add a further complication.

A high A.R.P. official was heard to say in public that

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"it's only in the North that they really understand A.R.P." If this is true, then the outlook for London is poor. It may be repeated that a largely suburban and working-class population, which moves daily from home to work and back, presents a special problem. More than one central London borough has to organise A.R.P. for half-a-million people in the daytime and 50,000 at night. In war-time the problem of the daily migration of hundreds of thousands would be terrifying, yet its solution is vital for the maintenance of the economic life of a fifth of our population. London, it seems, requires a special centralised organisation, comparable with the Metropolitan Police. Some of the boroughs are mediaeval survivals. For certain essential services their powers have already been overridden. Is it reasonable to centralise the control of the fire-brigade, ambulance services, health services, education and police of a great part of London, and to leave the rest of A.R.P. to the separate boroughs? Feeling is growing that London needs a special scheme and a special organisation.

An attempt has been made to emphasise some of the vast difficulties of air raid precautions. It is too easy to criticise. The student becomes acutely conscious both of the limitations and of the virtues of the voluntary, democratic, decentralised system. The enthusiasm and devotion shown by volunteers during some of the recent exercises have been a tonic to all observers; but the deliberations and delays that clog the wheels of municipal government are equally depressing. Some A.R.P. officers complain of the almost apologetic manner in which they have to approach their A.R.P. committees.

So we come back inevitably to the question of leadership and inspiration. A.R.P. must be seen for what it is: not merely a permanent and burdensome addition to the functions of local government, not a social organisation to be left to the public-spirited minority who already run our most virile voluntary institutions, but a great democratic experiment in self-defence, based on faith in the public and in its

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local constitutions. There should be no room for that distinction between the active and the passive citizen which is so obvious at local and national elections. Every individual has a duty to co-operate. The outbreak of war would undoubtedly see most British people conscious of this duty. What is needed is that they should become conscious of it in peace-time, in order that war may be prevented, as far as British preparedness can act as a deterrent. The complete success of British air raid precautions would dumbfound the opponents of free institutions and impress the whole of Europe. If duty is not to be enforced, its voluntary recognition must be secured. How that is to be done is the problem of the next six months.

MR. DE VALERA'S VICTORY

I. THE BUDGET AND THE LOAN

MR. MACENTEE'S seventh budget, which he introduced in the Dail on May 12, was received by the taxpayer with a feeling of relief. Although it contained no concessions of any importance, it imposed no fresh taxation beyond some small adjustments of existing duties and a few new protective tariffs. Provision for agricultural export bounties already paid, for others that must be continued for the present, and for increased expenditure on defence, consequent on taking over the fortified ports, prevented any reduction of taxation as a result of the London agreement.* For the fiscal year 1938-39, Mr. MacEntee estimated that total expenditure would come to £34,426,990, of which £425,000 would go to meet interest and other charges on the new loan, and £600,000 would be required for additional expenditure on national defence. Gross revenue he estimated at £31,505,000. It was therefore necessary to find £2,921,990 to make good the deficiency. Allowing £1,500,000 for over-estimation of expenditure and £450,000 for export bounties payable out of last year's surplus, he proposed to borrow £976,000 for defence and other special purposes, thus leaving a small estimated surplus of £4,010. This surplus, he said, although small, was significant; for they had been able to meet the substantial responsibilities which they were about to undertake in regard to defence without imposing additional taxation. That might be taken as a proof of the inherent soundness of their position

* For the terms of the agreement, see THE ROUND TABLE, No. 111, June 1938, pp. 527-532.

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and a manifestation of fundamental economic stability. Answering the charge that his Government had been recklessly increasing the national debt during its six years of office, he gave figures to show that during this period the capital repaid and new assets created exceeded the total borrowings by £9,000,000.

The new loan of £10,000,000 required to meet the payment due to Great Britain under the recent agreement was offered to the public on May 23 and over-subscribed in three days. It was issued at par, bears interest at $3\frac{3}{4}$ per cent., and is redeemable in 1958. The Minister of Finance, on behalf of various funds under his control, applied for £4,000,000, but this application was afterwards wisely reduced in order to enable small investors to receive the full amount of their applications. It is pleasant to record that, as Mr. MacEntee gratefully acknowledged, all parties united to make the issue a success; and subscriptions of over a million pounds received from foreign sources indicate that our national credit is deservedly high. The present prices of earlier loans, all now standing at par or over, prove that the new loan is a sound security. Its success was further guaranteed by the fact that the trade agreement between Great Britain and Ireland, having been ratified by both Parliaments, had already come into force on May 19.

II. THE ELECTION CAMPAIGN

ONCE these important matters were disposed of, the Government were naturally anxious to strengthen their political position. After the last election, held in July 1937, their party, Fianna Fail, constituted only half the new Dail, and the death of a deputy had left it for some time in a minority of one.

The Opposition, with singular fatuity, at once presented Mr. de Valera with a legitimate excuse for a general election. On May 25, the very day on which the loan was over-subscribed, the Government were defeated in the

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Dail by one vote on a private member's motion to establish compulsory arbitration in disputes concerning civil service pay and conditions. As this vote, on a question of major importance, reproduced the exact position of the Government in the Dail and was brought about by an alliance of the Fine Gael and Labour parties, they were clearly justified in treating it as a vote of no-confidence. Nor, as the civil service is relatively well treated, was public opinion likely to be against them. On May 27 the Presidential Commission,* acting on Mr. de Valera's advice, dissolved the Dail and fixed the general election for June 17.

In a public statement issued at the same time Mr. de Valera said that a Government with a precarious parliamentary majority—constantly at the mercy of group combinations in support of sectional interests—could not do their work as it should be done. The question raised by the Dail's decision was whether the Government, as guardian of the public interest, were to remain in effective control of the civil service, or to resign that control, in its most important aspect, to a body that would not be answerable to the people. They were more concerned, however, with the general position caused by the insecurity of the Government's parliamentary position during the last six years, through which the national interest had suffered. On two occasions, he said, he had appealed to the people to set this right, but owing to the system of proportional representation his appeals had proved ineffective. In the work of national reconstruction that lay before the Government during the next five years, a proper balance would have to be maintained between rival claims and opposing rights—for example, the claims of agriculture and the manufacturing industries and of employer and employed. Care had also to be taken that, in pursuit of material development, they should not lose sight of things cultural and spiritual, without which a nation could not become great. This proper balance could be secured,

* Dr. Hyde, although elected, had not yet been installed as President.

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he claimed, only by a strong Government with a secure majority to support it. He hoped that the electors would seize the opportunity presented by the election to obtain such a Government.

To this Mr. Cosgrave replied that the nation's advance must not be retarded by a political party which took years to make up its mind on simple political questions, waged war on agriculture, unsettled industry, and was responsible for the high cost of living. The Government had undertaken to reduce the cost of public administration. It had never been higher. The real reason for the election was that the Government, having adopted the Fine Gael policy and settled the economic war, were now unable to produce a practical reconstruction programme for the agricultural industry. In subsequent appeals to the electorate his party's aims were thus defined: to obtain the maximum benefit from the recent Anglo-Irish agreement and from friendly co-operation with the other members of the Commonwealth; to preserve the authority of Parliament and to see that proportional representation was not abolished in order to make way for a party dictatorship; to give security and stability to agriculture and to manufacturing industry; and to reduce taxation and the cost of living. These admirable generalities were supplemented by a promise to apply de-rating to agricultural land, but it was not made clear where the two million pounds required for this purpose were to be found.

Now that the Anglo-Irish dispute is happily settled, it is increasingly difficult to discover any substantial difference, other than the personal appeal of their leaders, between our two major parties. The most one can say is that, whilst Mr. de Valera's policy favours indiscriminate industrial protection, Mr. Cosgrave's first aim is to help agriculture.

The real case against Mr. de Valera's Government, however, rests on its past record rather than its present policy. During its term of office, as compared with the

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previous six years, our export trade has declined by £132 million, farmers' earnings by £134 million, and the wages of agricultural labourers by £9 million, while in the same period taxation has risen by £21 million. Despite a policy of feverish industrial development, at least 100,000 of our youth have emigrated, the number of registered unemployed has risen by 30,000, and the cost of living by eleven points. The alternative markets to Great Britain that were so confidently promised have failed to materialise. Last year we had to buy foreign goods to the value of £10 for every pound's worth we sold abroad. Even under the present improved conditions it will be many years before the farming community recovers even a portion of its past prosperity. Against these serious economic losses Mr. de Valera would no doubt set the fact that he had torn up what was left of the Treaty of 1921, substituted an elected President for a selected Governor-General, reduced our relationship with Great Britain to an external association terminable at will, and compounded the land annuity claim of £100 million for a payment of £10 million. In the process, however (his opponents would retort), he has indefinitely postponed reunion with the North, and has proved beyond dispute our economic and strategic dependence on Great Britain. Whether Mr. de Valera's political education and his ultimate recognition of the necessity for a *modus vivendi* with Great Britain were worth this price is a question for the historian to decide.

The Labour party obviously could not hope to form a Government, but their electoral manifesto was an extremely injudicious document. They made it clear that if they secured the balance of power in the new Dail they would use it to secure substantial increases in every form of social benefit, to decrease working hours and to increase wages. The effect was to drive a great mass of conservative voters into Mr. de Valera's arms in order to prevent Labour from controlling Government policy. Moreover, entirely

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reversing their former attitude, the Labour party declared themselves opposed to the Government, which they accused of seeking to establish a dictatorship and of involving the country willy-nilly in England's wars. This was resented by many even of their own supporters, who considered the British evacuation of the fortified ports as a great triumph for Mr. de Valera. The extreme republican, or Sinn Fein party, having no funds to contest an election and small prospects of support, wisely advised their followers to boycott the entire proceeding on the ground that they could not recognise the authority of Mr. de Valera's "partition Government" to usurp the lawful authority and functions of the Irish Republic. Their decision had certainly no influence on the result.

The election itself was the quietest that has taken place since the Treaty of 1921, so quiet indeed that many believed that the people were quite apathetic and would not vote. The party leaders made the usual rapid tours of the country, covering hundreds of miles each day and speaking in all the principal towns. Thanks, presumably, to lack of funds, party propaganda in the press and otherwise was greatly reduced in volume, and the horrible habit of painting slogans on walls and roads was fortunately dropped by common consent.

Mr. de Valera made it clear from the beginning of the campaign that if he did not obtain an effective majority of at least eight votes over the other parties combined he would seek to abolish proportional representation, but not without a referendum to the people. This declaration led to considerable controversy. The supporters of proportional representation argued that it had given effective and accurate representation to all considerable minorities, that without it Mr. de Valera's party would have been virtually obliterated after the civil war, and that, as Mr. Cosgrave's Government lasted ten years, and Mr. de Valera's has already lasted six, P.R. had secured stability also. They urged that even in its present attenuated form

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it was a safety-valve for substantial minorities. Mr. de Valera admitted that it was unfair to judge proportional representation under our present system of executive government, and indicated that, if it was continued, it might be necessary to change the present system in such a way that the Government would run its full term and would not have to dissolve Parliament when defeated. At the same time he declared that he did not believe in coalition governments, which had in them the seeds of disruption.

The opponents of proportional representation claimed that it was not owing to proportional representation but in spite of it that the new Irish State had survived the first critical years of its existence. Its effect, they argued, was always to checkmate government, unless it were coupled with a proportional executive on Swiss lines, which was impossible in Ireland. Moreover, they claimed that proportional representation had not given and could not give representation to the small religious and economic minorities, which were the only real minority interests in Ireland. But when all is said and done, it must be admitted that proportional representation has secured the just representation of all material points of view in the Irish State, and has compelled our politicians to accommodate their party prejudices to our national necessities.

During the campaign Mr. de Valera revealed that the reason which had impelled him to seek an accommodation with Great Britain was anxiety about the position of this country in the event of a European war. He claimed that, in taking over the defence of the ports, we would also be serving the interests of Great Britain by preventing any hostile Power from using them as a base. In the same way Great Britain would in a certain sense be defending us. In his election manifesto he stated that one of the chief preoccupations of his Government in the coming years must be to promote friendly relations with the people of Great Britain. Mr. Cosgrave and his party suggested that Mr. de Valera's arguments concerning the defence

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question were merely pretences to hide the real situation; the evacuated forts were to be maintained in a state of defence at Irish expense for the benefit of Great Britain without any advantage to Ireland. The restocking of the country's impoverished farms would be of more importance than the reconditioning and defence of these forts.

The election was nevertheless singularly devoid of the usual anti-English diatribes. The one exception was provided by Mr. Sean T. O'Kelly, the *Tánaiste* or Deputy Prime Minister. Speaking in Dublin on June 8, he announced that, although the British Empire was a very powerful political force, during the last six years they had whipped John Bull every time and with God's help would do the same again. This statement, which caused considerable comment, should not be taken too seriously. Mr. O'Kelly, who is the Nick Bottom of Irish politics, loves to play the lion and to roar loudly, but he is really more dangerous to his friends than to his enemies. Such speeches have been for generations common form in Ireland, and it is difficult for our demagogues to adjust their mental processes over-night. Mr. Norton, the leader of the Labour party, made the unkind comment that it was unfortunate for the Irish people that the whip used by Mr. O'Kelly was made of ten million pounds of Irish money.

Mr. de Valera, although he did not directly repudiate Mr. O'Kelly's emotional outburst, which must have given him considerable annoyance, made it abundantly clear that his aim was to establish friendly relations with Great Britain. He specially appealed to the ex-Unionist element, who had formerly believed that the best thing for Ireland was unity with England, to consider whether it was not in the interest of the community to give their support to his party. If the Government had made mistakes they had at least acknowledged them. Dealing with the question of partition, he said that they wanted to secure, not the physical territory of the six Northern counties,

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but the hearts of their people. One of the ways in which they could get unity was to make right use of the freedom they had, by governing themselves properly, and by improving their resources and the general standard of living. The English attitude towards Ireland had changed, and he was certain that on the day when the majority of the people of the six counties decided to join the rest of the country there would be no interference from England. No sensible person in Ireland or England is likely to quarrel with this diagnosis.

III. MR. DE VALERA'S MAJORITY

THE result of the election was a decisive victory for Mr. de Valera. He had asked for a majority of eight over all other parties and he had obtained a majority of sixteen. The state of the parties at the dissolution was as follows: Fianna Fail (de Valera party) 68, Fine Gael (Cosgrave party) 48, Labour 13, Independents 8, with one vacancy. In the new Dail the numbers are: Fianna Fail 77, Fine Gael 45, Labour 9, and Independents 7. An analysis of the first preference votes in the contested elections shows that, as compared with the 1937 election, Fianna Fail increased its vote by 70,814 and Labour by 15,187, while the votes for Fine Gael decreased by 33,209 and for the Independents by 67,791. The number of votes polled was 14,999 less than in 1937.

It is interesting to examine the result from the standpoint of proportional representation. Mr. de Valera's party polled a majority of the votes and secured a majority of the seats, one seat for every 9,300 votes received. Mr. Cosgrave's party, though defeated, received its full share of representation with one seat for every 9,900 votes. Labour fared worst, securing only one seat for every 14,300 votes, while the Independents did best of all, with one seat for every 8,700 votes. It must be remembered that, since Mr. de Valera's Government altered the

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constituencies by increasing the number of those returning three members only, proportional representation cannot operate as accurately as before. Moreover, all representation provides at best an approximation, and the fact that constituencies vary in the number of electors per deputy and in the proportion of votes registered sets certain limits upon the degree of arithmetical accuracy obtainable. The leaders of the three organised parties were all returned. Without proportional representation Labour would probably have returned no candidate and Mr. Cosgrave's party would certainly have been reduced to half its present strength. He himself would probably have been defeated. In the seven counties of western Ireland, in each of which Mr. de Valera's party has an absolute majority, Fine Gael secured nine seats, the Independents two and Labour one. If the election had been fought under the British system, Mr. de Valera would have swept the board, leaving the minority without representation, whereas under the present system, just as Mr. de Valera's followers obtained fair representation after the civil war, so now Mr. Cosgrave's party has survived the aftermath of the Anglo-Irish agreement, and will constitute an effective Opposition in the new Dail. This election has proved conclusively that proportional representation, if the electorate so desires, can provide as strong a Government as any other system and that it also acts as a healing and unifying force. One therefore presumes that nothing further will be heard of its abolition.

It is significant that both the principal party leaders, in statements issued after the election, stressed the fact that their future aims were constructive and not incompatible. Mr. de Valera said that it was now possible to pursue a steady course, in which he asked all parties to co-operate, and Mr. Cosgrave declared that his party would carry on a constructive opposition designed to guide the country along the right lines.

Among the successful candidates was General Richard

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Mulcahy, formerly Minister of Local Government in Mr. Cosgrave's Government, who was defeated in 1937 and who was greatly missed in the Dail, where his integrity and industry had been conspicuous. Mr. Cosgrave for the first time failed to head the poll in his constituency, Cork City, and in Dublin a similar fate befell the redoubtable Lord Mayor, Alderman Byrne. An independent Republican who had the temerity to seek election in Dublin received only 1,200 out of 59,255 valid votes. The defeated candidates included Mr. James Larkin, the famous Labour leader, who stood as an Independent, and Mr. Patrick Hogan, the Labour member from Clare, who was Deputy Chairman of the last Dail. Three women deputies were elected. The dissolution involves a fresh election for the Senate, but the complicated election procedure * will prevent its being completed before the middle of August.

There can be little doubt that Mr. de Valera's victory was largely due to the support he received on this occasion for the first time from the conservative voters, who are mostly Protestant and ex-Unionist. This minority, who in the past supported Mr. Cosgrave, made no secret of the fact that they were seriously perturbed by the possibility that if Mr. de Valera were not given a clear majority, Labour would once more control the political situation; for it appeared unlikely that Mr. de Valera and Mr. Cosgrave would agree to form a coalition Government, while even if Mr. Cosgrave obtained an absolute majority they feared that the extreme republican element would create serious disturbance. They were also satisfied that Mr. de Valera, having attained his objectives in regard to the constitution and our external association with the Commonwealth, was desirous of developing friendly relations with Great Britain on the basis of our mutual interests. Moreover, the selection of Dr. Douglas Hyde as President had given them much satisfaction; for it had conclusively proved

* See THE ROUND TABLE, No. 111, June 1938, p. 533.

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that one of the religious minority could attain the highest position in the state on his own merits, a lesson in tolerance which might well be taken to heart north of the Boyne.

The *Irish Times*, which is their recognised mouthpiece, alarmed by Mr. de Valera's threats to abolish proportional representation and by Mr. O'Kelly's childish tirade, was at first inclined to counsel opposition to the Government, but finally, on maturer reflection, or under direction, advised its readers to exercise their votes without fail, and, inspired not by memories of the past but by their ambitions for the future, to consider what was best for the country. This was as near as it could decently go to telling them to support the Fianna Fail candidates. Their intervention may well have been the decisive factor in the election, and it was certainly inspired by an honest desire to do what was best for the country in a difficult situation.

It is a good thing to find the Irish Protestant community taking an intelligent and active interest in public affairs and identifying themselves fully with the national life. Although their wealth, numbers and influence have decreased, and their ascendancy and privilege have vanished for ever, they are still a vital force and have a valuable contribution to make to our public affairs. As Dr. Harvey, the Protestant Bishop of Cashel, recently reminded them in an eloquent sermon, they are the heirs of two traditions of culture and possess certain qualities—industry, integrity, the power of leadership, and an independent spirit—which are essential to the community; their best service to Ireland is to be themselves. In the past they have made their contribution to every great and good national cause and not least to that of political liberty, as the names of Tone, Emmet, Davis, Mitchel, and Parnell eloquently remind us. The Anglo-Irish have in fact always been the spear-head of our attack. One other service they are now specially qualified to render to Ireland, that of bringing North and South together, a service that would justify their old title of Unionists on new and better grounds.

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By their action and influence they can materially help to cement or divide our country. It is not only their privilege as Protestants but also their duty as Irishmen to work now for domestic peace and national unity. From their ranks may eventually come the Moses to lead us into that Promised Land.

IV. A NEW CHAPTER

THE installation of Dr. Douglas Hyde* as first President of Ireland took place in St. Patrick's Hall, Dublin Castle, on June 25. The ceremony, which had been postponed owing to the general election, was both simple and dignified. In the presence of the members of the Dail and Senate, the judiciary, the diplomatic corps, the leaders of the various churches, and members of important public bodies, Dr. Hyde read the declaration of fealty prescribed by the constitution:

In the presence of Almighty God, I, Douglas Hyde, do solemnly and sincerely declare that I will maintain the constitution of Ireland and uphold its laws, that I will fulfil my duties faithfully and conscientiously in accordance with the constitution and the law, and that I will dedicate my abilities to the service and welfare of the people of Ireland. May God direct and sustain me.

Having subscribed this declaration, Dr. Hyde was then handed the Great Seal by Chief Justice Sullivan, the senior member of the Presidential Commission, who had hitherto been responsible for its custody.

Mr. de Valera, in his capacity as *Taoiseach* or Prime Minister, then delivered a short address in which he saluted the new President on behalf of the nation. He said that as the freely chosen President of Ireland he inherited the authority and was entitled to the respect which the Gaels always gave to those whom they recognised to be their rightful chiefs. After paying tribute to Dr. Hyde's work

* See THE ROUND TABLE, No. 111, June 1938, p. 539.

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for the restoration of the national language and his attainments as a scholar, Mr. de Valera said that in his person the new President held up to us the ancient glory of our people and beckoned to us to make the future rival the past, urging us to be ever worthy of our inheritance as a great spiritual nation whose empire was of the soul. In a short reply the new President asked the Almighty to give him the grace and power to advance the good of Ireland and the wisdom and strength to fulfil his duty as President. The entire proceedings were in the Irish language.

Before the ceremony Dr. Hyde and the Protestant members of Parliament attended a special service at St. Patrick's Cathedral, while Mr. de Valera and the Catholic members were present at a solemn Votive Mass at the Catholic pro-Cathedral. After the installation ceremony the President drove through streets of cheering people to the Viceregal Lodge in the Phoenix Park, which is to be his official home and which is to be known in future as *Aras an Uachtaran* or President's Residence, stopping *en route* opposite the General Post Office in O'Connell Street as a mark of respect to those who fell in the rising of 1916. But the installation of Dr. Hyde has far more than ceremonial importance. It marks the opening of a new chapter in our history. Ireland has now for the first time a head of the state who has been freely chosen by the people as their representative and who can become a focal point for their loyalty and allegiance. We are in fact a republic in all but name so far as our internal government is concerned. Externally our relations with Great Britain and the Commonwealth arise from mutual necessities and reflect our parity of status. On no other basis can they flourish or endure.

The new Dail met for the first time on June 30 and unanimously re-elected the former Chairman, Mr. Frank Fahy. The election of Mr. de Valera as Prime Minister was opposed by Mr. James Dillon on behalf of the Fine

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Gael party, but he was re-elected by 75 votes to 45, the Labour party not voting. Mr. Dillon said that Mr. de Valera's past policy had brought nothing but disaster to the country. Fortunately he changed it last January and substituted that advocated by Fine Gael, when he went to London and settled by negotiation the economic war for which he and his party were responsible. Fine Gael, he said, regarded the policy of economic self-sufficiency advocated by Fianna Fail as a fraudulent chimera that would only result in the destruction of their people's standard of living. He was not without hope that as they had showed the Fianna Fail party the right way to travel in international affairs, they would also be able to teach them the right way to travel in economic affairs. In so far as they believed that the Government's proposals would serve the common good they would help to carry them out, but in so far as they believed them to be unsound they would oppose them to the full limit of their constitutional right. When the Government changed their policy wider grounds for co-operation would, he said, be possible.

Mr. de Valera, after his election, received the seal of office from the President and announced to the Dail that there was no change in the personnel of the Government, although it might be necessary to examine the departments of state later, as it was not certain that the work of the Government could not be divided better. The election of Mr. Fionan Lynch, a prominent member of the Fine Gael party and a former Minister in Mr. Cosgrave's Cabinet, as Deputy Chairman of the Dail, proves that there is a desire for mutual accommodation and a better atmosphere in the new Dail. The Government is certainly strong enough to be fair and reasonable, and it has evidently learnt by experience. There is much work for it to do on which all parties can agree. The establishment of a balanced economy, the revival of our agricultural prosperity, the encouragement of vocational organisation, the development of afforestation, and the eradication of the slums in

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our cities all demand attention. Mr. de Valera has proved himself a clever politician. It remains to be seen if he is also a statesman. If he truly desires the reunion of Ireland, he must for the moment forget the existence of Ulster and concentrate on putting our own house in order.

V. THE PROBLEM OF DEFENCE

ON July 11, under the terms of the Anglo-Irish agreement, the British garrison handed over the defences of Cork harbour to the Irish army. After the British troops had departed, with appropriate military ceremonial, Mr. de Valera, accompanied by members of the Government and representatives of public bodies, proceeded to Spike Island, the former headquarters of the British coast defence force, and hoisted the Irish flag to a salute of twenty-one guns. At the same time ceremonial parades were held at all military stations throughout the State. The other harbour fortifications at Bere Haven and Lough Swilly, held by British troops under the Treaty of 1921, will also be evacuated during the next few months. This recognition of Ireland's right and duty to defend her own shores will undoubtedly improve relations between the two countries, and it removes a certain source of friction in the event of war. We must now defend ourselves, and we shall soon realise that we cannot defend ourselves without naval assistance. As Mr. McGilligan pointed out in the Dail debate on the London agreement, harbour fortifications without a navy are like a needle without thread, and there is only one navy that can or would defend our shores. Moreover, the need is mutual, because these harbours dominate the western and north-western approaches to Great Britain and are remote from air attack.

Asked in the Dail on July 13 whether there would be consultations with Great Britain on the question of defence, Mr. de Valera said that the Government's defence policy would be adopted purely in the interests of this country. He

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did not think that they could successfully meet a frontal attack from a foreign State here. If, he continued, they were to get assistance from Great Britain in such circumstances, it was common sense that facts should be prepared in advance so that the assistance would be of the greatest possible benefit. To do that, consultations were necessary, and therefore such consultations would be held.

The strategic unity of these islands will soon be apparent even to the most purblind of Mr. de Valera's followers. They will also learn the wholesome lesson that freedom must be paid for. The guns that saluted the Irish tricolour as it flew for the first time over the Cork harbour forts proclaimed to the world not only our liberty but also our responsibility. Here, too, begins a new chapter of Irish history, which, it is well to remember, could never have been written but for the faith and courage of Mr. de Valera's predecessors.

Ireland,
August 1938.

POLAND, HER NEIGHBOURS AND THE WEST

By a Polish Correspondent

IN recent months one cannot complain that the world has shown any lack of interest in Poland's foreign policy. On the other hand it can rarely be said, either of those who praise or who condemn the policy, that they understand its principles or consequences. The object of the present article is to explain as objectively as possible the principles common to all Polish politicians, no matter to what party they belong. Only then can we consider how the men who dictate our foreign policy have applied these principles and what results they have achieved. It is in the application of the principles that the differences arise among Polish politicians. The writer's own point of view, which is also held by the great majority of the Polish community, is opposed to that of the men who direct the policy. Only very special conditions have prevented our opinions from being put into practice.

I. THE CONSEQUENCES OF GEOGRAPHY

THE Poland of to-day is by no means a small State. Its frontiers were fixed as a result of four events—the victory of the Allies in the war of 1914–18, the Treaty of Versailles, the victory of our own newly-risen State over Soviet Russia in 1920, and the Treaty of Riga in 1921. An area of 150,000 square miles, a population of over 34 millions with one of the largest natural rates of increase in the world—these are Poland's claims to be considered a first-class Power. If these claims are not generally

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admitted, it is because the level of our economic welfare is not as high as that of other Powers. For this two things are responsible: in the first place, a deliberate policy on the part of Germany, Russia and Austria, between whom Poland was divided until the world war, and, secondly, the damage that resulted from fighting carried on in Polish territory during the war itself. The significance of Poland, however, is constantly increasing, and this fact appears to be more and more freely acknowledged in Europe.

The opinion has been frequently expressed abroad that Poland's present frontiers are too wide, enclosing, as they do, a population consisting of 30 per cent. of national minorities and only 70 per cent. of Poles. It is only with great difficulty that she has been able to secure the general recognition of these frontiers. It should be remembered that the plans of the victorious Allies were not specially favourable to Poland. There once existed the so-called Curzon line, which limited Poland on the east to the territories occupied only by Poles. Nothing but victory in the Polish-Russian war and the direct agreement with Soviet Russia at Riga fixed our present frontiers. This obstinate fight for wide frontiers on our part was not the result of greed. The great majority of Polish people were convinced that in this quarter of Europe a small State could not survive, and that only a large and powerful State could hold its own and play its rôle in maintaining peace in eastern Europe. The future development of events in Europe is likely to prove our conviction well-founded. In the present political situation that conviction is gaining ground abroad.

In considering Poland's foreign policy one must constantly remember her geographical situation between the Russian colossus to the east and the Teutonic power of Germany to the west. Past historical experience and a simple consideration of numbers teach Poland that she must be large and powerful and must follow a wise and prudent

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foreign policy if she wishes to avoid the fate of being again devoured by her powerful neighbours. History—*magistra vitae*—and the power of Germany and Russia constantly dominate Poland's policy and explain her caution in committing herself in any way that might involve her in war with one or both of her neighbours. This is a principle of foreign policy generally acknowledged in Poland. From the moment in Polish history when the Russian State was born in the east, and in the west Prussia grew more and more powerful, a double problem arose: whether to join the stronger neighbour against the weaker or the reverse, and which of these States was the stronger, either in general or at a particular moment. This problem still exists to-day and explains the various conceptions of foreign policy held by different parties and leading politicians. The pro-German sympathies of some groups in Poland are the effect either of fear of Russia, whom they consider the more dangerous, or of fear of Germany herself, against whose power they see no sufficient support. The like is true of those with pro-Russian sympathies. These facts must always be remembered when considering Polish foreign policy.

II. BEFORE AND AFTER THE NAZI REVOLUTION

BEFORE Adolf Hitler's rise to power, the possibilities of Polish foreign policy were very limited and did not therefore give rise to any great doubt. The policy was decided by certain facts, which may be briefly described.

The two great neighbours of Poland—Germany and Soviet Russia—were bound by the Rapallo pact, developed later into the Berlin agreement. It was a most unfavourable situation for Poland. The arrangement between these two Powers implied a risk of their taking common action against Poland, whose territory separated them, and ultimately shaking hands over the corpse of Polish independence. Poland has always had to take this

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danger into consideration, and it turned her against both Germany and Russia.

A counter-balance existed in the then very limited capacities of these States. After defeat and revolution neither Germany nor Russia at once recovered her former power. This state of affairs, however, was constantly changing to Poland's disadvantage; for she, being smaller than Germany or Russia, recovered her strength at a proportionally slower rate. Nevertheless the disparity in strength was not so great as to prevent Poland from being a very important factor in eastern Europe. Moreover conditions in Europe as a whole were arranged in a way favourable to Poland.

The principle of collective security, supported by the League of Nations, was still predominant, and the strength of the victors of the war was sufficient to guarantee the maintenance of the *status quo* in Europe. Though this condition steadily deteriorated, there was no very conspicuous evidence of the weakness of the former Allies or of the League of Nations until the outbreak of the National Socialist revolution in Germany. The alarming fact was the failure to proceed with the post-war organisation of world peace—witness the difficulties encountered in enlarging and interpreting the League Covenant and in agreeing on disarmament. In Poland special anxiety was aroused by the attempts to differentiate between western and eastern European security, for instance, at Locarno and in various attempts at a Four-Power Pact. It was in this period that Poland began to be tempted to take her own measures to secure her frontiers and the existence of the State.

Nevertheless the Polish policy resulting from these conditions was clear and intelligible. It was founded on co-operation with France, with whom Poland was united by an alliance, and on the advancement of the collective security principles of the League of Nations.

Great changes were brought about by the rise of Herr

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Hitler and the National Socialist party to power in Germany. The danger of an agreement at Poland's expense between her two great neighbours vanished, or at least was much decreased. Instead a new danger appeared, that of an armed encounter between Germany and Russia, threatening to involve Poland in a conflict, making her, perhaps, a battleground or forcing her to make a tragic choice between her rivals.

Simultaneously there was thrown into relief the disproportion in strength, on the one hand, between Poland and Germany, who was arming herself openly, and Russia on the other, who was doing the same to no less an extent. The ratios of the populations of these three States, the ratios of their armies and of their economic and financial capacity all worked out distinctly to the disadvantage of Poland. She found herself deprived of her position as the biggest military Power in the east of Europe, and definitely inferior to each of the large neighbouring States.

At this time, moreover, the general European situation changed to Poland's disadvantage. The principle of collective security was seriously shaken. The League of Nations appeared to be incapable of guaranteeing and maintaining peace in Europe. Fascist Italy drew away from the Allies towards Germany, thus gravely disturbing the balance of power. Finally, partly owing to the fault of Polish diplomacy which drew away from France, Russia appeared on the European scene as a member of the League of Nations and the partner of France and Czechoslovakia, a development harmful for Poland.

All these changes placed Poland in a new position. Whereas previously the possibilities open to Poland had been very limited and the course of her policy was predetermined, now the possibilities were multiplied and her diplomacy was presented with a choice of three courses: dependence on Soviet Russia, dependence on Germany, or an attempt at a policy independent of either of her neighbours.

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After the conclusion of the Polish-German agreement of January 26, 1934, the world in general became convinced that Polish diplomats had selected the second of these courses. Indeed a number of concrete political moves seemed to indicate that this was the case. The error, however, lay in the execution rather than in the policy itself, which was differently intended.

It is necessary to realise that the regulation of relations with Russia and agreement with Germany are objectives held in common by almost all Polish politicians. The January agreement with Germany was welcomed by the Poles as relieving Polish policy from German pressure. Because this pact was preceded by the conclusion of a non-aggression pact with Soviet Russia, it was regarded as the instrument of balance between these two great neighbours, a policy entirely in accord with the ideas of the Polish community, which was peace-loving and desired to consolidate neighbourly relations. Differences of opinion arose, not because the January agreement was concluded, but because the price paid to Germany seemed to the Polish community too high. Polish people differed too, over the consequences of the agreement, and especially over the upsetting of the balance between her neighbours to the obvious advantage of Germany.

It must be remembered that of the three courses mentioned above the first is absolutely excluded in the opinion of the great majority of Poles. The special status of Soviet Russia and the character of her régime exclude the possibility of Polish co-operation with her except in the field of ordinary normal neighbourly relations. On this point the policy of Colonel Beck is approved by virtually the whole community. Public opinion is only at variance with his policy when it suspects any tendency to disturb correct relations or to co-operate with Germany against Russia. Another cause of difference might arise if Poland were involved in a conflict on her own territory, through no fault of her own and entirely without her approval.

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In a case of unavoidable necessity, the great majority of the nation, choosing the lesser of two evils, would be in favour of co-operation with Soviet Russia against Germany, because the former seems to be less dangerous than the latter. But in such a situation the leaders of Poland's foreign policy might conceive a different course of action for Poland. This is the principal possible cause of disharmony between official policy and public opinion. On the point of not binding ourselves to Soviet Russia there is entire agreement. The project of guaranteeing a right of way to the Russian army through our territory is equally unacceptable to the present Government and to all serious-minded parties of the Opposition.

At the same time active co-operation with Germany is equally excluded. Few even of the pro-German Poles would be supporters of such co-operation. Polish official policy never took up an attitude of co-operation; for, whenever in practice it inclined in that direction, it met with decided opposition from the community. As public opinion comes to have in the near future a larger voice in affairs, through the liquidation of the late Marshal Pilsudski's dictatorship, it will be increasingly difficult to satisfy the demands of the extreme pro-German Poles. The community's fear of close co-operation with Germany is the outcome not only of disapproval of her régime but primarily of the consciousness that Germany did not willingly acknowledge our frontiers or stop attacks on Polish interests, as for instance in Danzig. Our frontiers might easily be affected as a consequence of close co-operation with Germany.

Hence, of the three courses above mentioned only one remains, namely, that of striking a balance between Germany and Russia and having a policy of our own in which closer relations with either is barred. Such a course is equally consistent with the ideas of the whole Polish nation and with the interest of Europe. Such is the programme of the Polish Government and of the Opposition as well.

POLAND, HER NEIGHBOURS AND THE WEST

The only problem lies in the matter of execution, which is interpreted differently by the present Government and the community. This difference of interpretation has recently been the cause of numerous criticisms of Polish policy.

III. FROM PILSUDSKI TO BECK

WHEN, after the rise of the Nazis, the late Marshal Pilsudski decided to change Polish policy towards Germany, he had ample justification for his decision. Contrary to general supposition, he had grounds for believing that Nazi Germany wished to improve relations with Poland rather than the opposite. The German attitude was rooted, first, in Germany's desire to achieve security in the east with a view to settling, to begin with, her affairs in central Europe; secondly, in the wish to end isolation, which at this time was a serious danger to Germany; thirdly, in ideas for the co-operation of the dictatorship States in a kind of fascist "international", in which Germany included the Poland of Pilsudski. So when Marshal Pilsudski reacted strongly by sending troops to Westerplatte,* after having met with difficulties from the Nazi quarter in Danzig, it was generally understood as a question to Berlin—"peace or war?" The answer came back from Berlin, "peace", thus opening the door to further negotiations between the two countries.

For Poland it seemed a necessity to enter into these negotiations, because there was reason to suppose that in the event of Germany's attacking Poland the help of western Europe would be insufficient or *nil*. The history of disarmament, and especially the conclusion of the famous Four-Power Pact, were in this respect very instructive. There exists a Polish proverb: "God is high above and France far away". Just at this moment she seemed further away than usual. Hence it seemed

* Westerplatte is a zone intended for loading Polish military transports.

FROM PILSUDSKI TO BECK

justifiable to take the initiative and to free ourselves from the pressure that Germany had constantly exerted on us ever since the Treaty of Versailles, regardless of her changes of government. This pressure was particularly felt in the matter of the so-called "corridor", which was for Poland an integral and unquestionable part of her national territory. This territory, the population of which is 90 per cent. Polish in essence, was Poland's only outlet to the sea. It contained Gdynia, her own port on the Baltic, built with great expense of labour and money, the only open window to the world for a State of 34 million people.

The smoothing out of relations with Germany did not arouse doubts among the Polish community, and should not have done so in the mind of Europe. Doubts were aroused only concerning the method adopted by Colonel Beck of achieving this end. The opinion of eminent Polish politicians and publicists was that an approach to Germany was of no real value to Poland unless it was backed by the strengthening of Poland's own power as a State, by an improvement of the national position based on alliance with France and Rumania and membership of the League of Nations. Only a strong Poland could be a partner to Germany. A weak Poland, in a weak international position, might sink to the rôle of a client State.

Poland's internal strength is a function of her internal policy, and the present Government, based on the principle of authority, is the object of severe criticism by independent publicists. This question, however, in spite of its prime significance, is beyond the scope of this article. It affects foreign policy only in so far as outside help for Poland, financial or in materials, is concerned, since this depends to a large extent on the state of her relations with western democratic countries. By that help Poland has as yet profited only in the minimum degree. Nevertheless, the strengthening rather than weakening of Polish alliances, combined with attachment to the principles of the League Covenant,

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was, in the writer's view, the fundamental condition of the new Polish policy of smoothing relations with Germany. Unfortunately this policy was launched by the conclusion of an agreement with Germany without previous consultation with France, to whom Poland was bound by the text of the alliance both in its original form of February 1921 and in its form of September 1925 as a part of the Locarno agreement. This error at once gave Polish policy a quite unintended character, that of an act directed against France or at least undertaken without her. It now appeared as a change of political predisposition, drawing Poland away from the western democracies and the League of Nations. In these circumstances it was easy to accuse Poland of an approach to the bloc of fascist States, to the famous Rome-Berlin axis or to the Berlin-Tokio-Rome triangle. Thus a quite justifiable stroke of policy was from the start fundamentally warped in its application.

Later events were but the natural result of this principal fault. Other errors followed, all the more plainly because the initiator of the new Polish policy, the late Marshal Pilsudski, was no longer personally directing foreign affairs and died shortly afterwards. It is questionable whether Colonel Beck's interpretation and execution of Marshal Pilsudski's programme are really consistent with the original intentions of Pilsudski himself. In any case, the practical result was to draw Poland further away from France, Great Britain and the League of Nations. In spite of attempts to smooth out these difficulties, they are on the whole increasing and growing harder to overcome.

There is room in this article to mention only the more salient developments, such as Poland's attitude towards the proposed eastern security pact, towards Czechoslovakia and the League of Nations, and her policy in regard to the *Anschluss*. In all these cases the desire for emancipation from French policy had unfavourable results for Poland. Special significance attaches to the Polish objection to the eastern pact proposed by M. Barthou

A NEUTRAL BELT

and backed by British policy. No one in Poland could agree to M. Barthou's form of the pact, more especially to the article allowing Soviet troops a right of way through our territory. Independent public opinion in Poland held that we should try to change the content of the pact, not to destroy it and align ourselves with Germany. Such a course did not appear to be entirely impossible, especially after the tragic death of M. Barthou, who was strongly impressed with the strength of Soviet Russia. Polish official policy, however, chose the other course. Since Poland had quitted her place by the side of France, it was taken by Russia, and this led to the Franco-Soviet and Czech-Soviet pacts, which were in the interest neither of Poland nor of Europe. All this had very serious consequences in central and eastern European politics.

These errors gave rise to the impression that Polish official policy was not only drawing away from France, but positively approaching Germany, with whose policy she had many points in common, such as aversion from collective security and the League of Nations and a preference for bilateral agreements.

IV. A NEUTRAL BELT

IN spite of all this the intention of the official policy was to maintain an independent position, one of equilibrium between Germany and Russia. While Polish official policy was drawn to Germany on certain counts, there were many principles that tended to operate in the opposite direction and to assimilate it rather to British policy. To this group of principles belongs the disapproval of the division of Europe into two ideological blocs, which prevented Germany from gaining Poland for the anti-Comintern pact. To this group belongs, too, the dislike of intervention in affairs not directly concerning Poland and the fear of being involved in them, a characteristic that helps to explain Poland's

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unenthusiastic attitude towards the League of Nations. To this group belongs the peaceable character of our policy, which springs from a consciousness that any profits from a new war are very doubtful, whereas the losses are certain. Lastly one may mention the desire to achieve the status of a neutral State, which in Poland's geographical situation seems unfortunately to be nothing more than a pious hope.

The new Polish policy shows a constant tendency to draw closer to States holding similar political opinions. The Polish Government follow with interest and pleasure the declarations of statesmen in Belgium, Yugoslavia and some Scandinavian countries, who seem to be taking a similar road to their own. Constant efforts are being made to enlist the sympathies of Rumania and the Baltic States in a policy of forming a chain of independent neutral States extending from the Baltic to the Black Sea and separating Germany and Russia. After Colonel Beck's recent visits to Stockholm, Riga and Tallin, and reciprocal visits between Poland and Rumania, it was rumoured that Poland was attempting the formation of such a chain. Then the character of this rumour changed until Poland was alleged to be trying to form a new bloc. This, however, was never the intention of the official policy.

The policy of balance between Germany and Soviet Russia, it may be repeated, would have the understanding and support of Polish public opinion as a whole, and is common to the Government and the Opposition. The latter, however, does not believe that this policy can be realised with Colonel Beck's methods, which they fear may bring Poland further under German influence. Indeed the results of these methods up to the present moment justify such fears.

A short time ago, in reference to Colonel Beck's visits to Stockholm and Tallin, one of the chief Opposition newspapers formulated the conditions required for conducting effectively the policy of gathering about Poland

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other States with similar political interests and thus creating a guarantee of peace in eastern Europe. It set down four such conditions :

1. That Poland's actions should be fundamentally peaceful and equally so towards both Germany and Russia.
2. That she should occupy a position of genuine and stable balance between Germany and Russia.
3. That all States, interested in maintaining peace in eastern Europe, including Czechoslovakia, should have the opportunity of entering into mutual agreements.
4. That Poland and the States gathered round her should have sufficient power in comparison with their great neighbours, but that, since their own power is bound to be inadequate, they should be able to rely on the support of the western democracies.

This last point seems to be the most important. It is fundamental to the whole policy and alone gives it a real chance of success. With this fourth condition unsatisfied Polish policy may become dependent on Germany.

It may be appropriate to point out here that any attempt of the present leaders of Poland at maintaining an independent policy has met with an unfavourable response from Germany, who dislikes it intensely. Whenever they start to organise co-operation with Baltic or Balkan States, as at the present time, Poland becomes an object of attacks and concealed threats by the German press. These attacks particularly concern the situation in Danzig. The silent consent of Poland to the entire *Gleichschaltung* of Danzig, and her support of the successful attempt of the Free City to throw off the guardianship of the League of Nations, created a serious situation in Danzig. The sacrifice made by Polish official policy on the altar of German ambitions is very great. The situation in Danzig is used to extort political concessions from Poland. It is very characteristic that, to-day, in response to Colonel Beck's new efforts to initiate an understanding with the Baltic States, fresh rumours arise of German threats to Danzig.

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V. THE RESPONSIBILITY OF THE WEST

THE present direction of Polish policy is the outcome of limited faith in the efficacy of help from the western democracies in the event of Poland's being attacked by Germany. Even the most ardent adherents of democracy in internal policy, and of co-operation with the western democracies in foreign policy, have had moments of grave doubt when they have seen the weakness and inefficacy of these Powers in their policy towards Germany. The popularity of any policy in Poland is largely determined by the attitude of the democracies towards Germany's actions.

The present Government, standing as it does for the ideas of authority and totalitarianism, has been able to carry on the foreign policy of the last few years only because of the weakness shown by the democracies. This weakness had a fatal reaction on opinion in Poland, undermining the position of believers in democracy and decisively influencing the outlook of governing circles. If in spite of this, the Polish community maintains a decided aversion from joining with Germany, an aversion that has acted as a brake on the Government's tendency in this direction, it is proof of the strength of the national instinct in the masses.

Recently, thanks to the consolidation of Anglo-French relations, the progress of British rearmament, and above all the firm and effective intervention over Czechoslovakia, conditions arose favouring some alteration of Polish policy. In Polish public opinion there is plainly to be seen a strengthening of the current of thought towards an independent and peaceful policy based on co-operation with the democratic Powers. Particularly noticeable has been the shifting of opinion in favour of Czechoslovakia. All efforts at anti-Czech propaganda were useless in the face of the spontaneous recognition that Czechoslovakia's interests are the same as ours. The change in the official

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attitude, and the Paris conversations of the Polish ambassador, M. Lukasiewicz, were entirely the result of these reactions.

The success of attempts made by the Opposition politicians, supported by a great majority of thinking people, to bring about a re-direction of Polish foreign policy depends much on the conduct of the western Powers and on the degree in which it will be possible to count on their interest in the affairs of eastern Europe. If the policy that they so clearly embarked upon over Czechoslovakia is carried through with purpose, there is no doubt that Polish policy will come back to its original peaceful and moderate course. Democrats in Poland will do all in their power to bring this consummation to pass.

Poland,

July 1938.

GROWING PAINS IN INDIA

I. GOVERNMENTS AND THE PEASANTS

THE hot months have traditionally been a sort of recess in India, when officials, and of late Ministers, have had an opportunity to escape from the action and publicity of politics to the quieter life of administration, generally in a hill station. In this new phase, things are different. Not that the hill station habit has all at once disappeared (it would hit these stations hard if it did) but legislatures and Ministers do not retire for the recess so promptly as was the custom. Some legislatures have been busy during the past three months; and Ministers have toured, made dozens of speeches, inspected, consulted, kept in touch with all parts of their provinces, altogether done their duty as responsible statesmen—so actively, indeed, that here and there they have been accused of spending too much of the public money on travelling. The new constitution has inculcated the practice among politicians, or at least Ministers, of educating the people, and for this the hot months give them a special opportunity.

After fifteen months of the new phase it is possible to forecast the developments of the next few years with some confidence. Whatever unexpected interests may emerge, Ministries everywhere will be busy with peasants, industrial workers, village education, extension of medical relief, and in general the improvement of rural life. Congress publicity has drawn attention to what is being done in these fields in the Congress provinces; but conditions are generally similar in the others, and their Ministries are similarly occupied. For policy is shaped by the time and the environment. Governments must do something for the worker in the village and the worker in industrial towns.

GOVERNMENTS AND THE PEASANTS

They must endeavour to make the beneficial draft legislation that has accumulated in official files an accomplished fact. The *festina lente* of the old days is now a faint memory. After the promises of the election campaigns and the things said by Ministers in their first days of office, the latter must show themselves energetic in social improvement. Nor is there any suggestion here that this is done unwillingly, but only that Ministers might reasonably wish for a little more leisure to think over their measures of reform.

Congress is in power in seven provinces, and in some measure the Congress high command supervises all these Ministries. Conditions and needs, moreover, are broadly similar throughout India. In a sense, therefore, the sum of provincial policies is All-India policy. Most provinces are grappling with elementary education, and Ministers are studying Mr. Gandhi's "Wardha scheme", which is regarded as the hope of the moment. The scheme is a modified version of the familiar "learning through doing", education through the hand especially, which has been little tried in India, where learning is book-learning and knowledge is what is in the memory. A few missionaries have provided the exception. Bihar has won attention by a drive for adult literacy through voluntary unpaid agents; some of the Ministers, the Premier among them, are conducting classes and are probably discovering that the teacher's work is not so easy.

Public health problems are also to the fore. In the United Provinces Mrs. Pandit, the Minister in charge of this portfolio, is much in the public eye, not only because she is India's only woman Minister, but also because she does her work with energy, sympathy and imagination. Her province, as well as others, has been afflicted with cholera, and she is reported to be working on plans for fighting epidemic disease by a combination of official and non-official agencies, the first line of defence being vigilance committees in the villages.

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The debt-burdened peasant commands political attention everywhere. It is necessary to liquidate or reduce his debts. But how? Co-operative credit has not been the regenerative force that it was expected to be; the peasant has not behaved as peasants do in the text-books on co-operation. Assets are frozen, and societies spend their energy in trying to recover what is due from one another. Instead of being a sturdy flow out to the peasant and back, credit has almost ceased to circulate. It flows out to him with regularity, but returns with hardly a trickle. The slump in agricultural prices is largely to blame; the peasant has not had a dog's chance recently. At the moment reliance is generally placed on debt-reduction through debt conciliation boards and similar contrivances. Whether this can be done without permanently injuring the credit structure, in which the chief element is the money-lender, cannot be said at this early stage, but fears on this score have been expressed in the legislatures. Someone must help the peasant from harvest to harvest, and nothing that Governments have yet done has diminished the importance of the money-lender in his scheme of things.

Everywhere the agricultural problem is difficult: in some provinces it is acute. Expectations have been roused; the peasant had been led to believe that he would at once be rid of his troubles, and as he is still burdened by them he is restive. Several Governments have worked at land legislation, and have inevitably antagonised landholders, who are making, or threatening, such resistance as they can. *Kisan** movements are causing embarrassment in Bihar: processions call upon the Government to give relief at once, or create local disturbances in the countryside. The *ryot's* lot is generally hard, but relief can come only at the expense of the landlord and creditor. To adjust these interests without inflicting permanent injury on the economic structure is a difficult and delicate task for which time is not available. The only practicable procedure is piecemeal legislation.

* Small peasants and workers on the land.

STRIFE IN INDUSTRY

Bengal intends to make a thorough investigation of the Permanent Settlement, which, after an existence of 140 years, is now part of the social as well as the economic structure of the province. Sir Francis Floud has been appointed to preside over the enquiry. The choice has not pleased everyone; for it is pointed out that a stranger will need a long time to become acquainted with Bengal's peculiar problems. The Tenancy Act Amendment Bill has not yet received the Governor's assent. It was passed by the legislature some months ago after meeting considerable opposition on the way but little in the final division in the Lower House, when Congress decided not to go into the lobby. As a measure relating to the Permanent Settlement it has been reserved under a provision in the Government of India Act for consideration by the Viceroy. A declaration by the Chief Minister that the Ministry would resign if it were not assented to caused a flutter for some days, but was explained away as only a statement of inevitable and remote consequences, not a threat. Bengal's peasantry has been worked up to excitement about the Bill, and some small groups of politicians demanded the Government's resignation if it was not approved by a date now past. The difficulty has been obviated by an executive order that certain formalities in procedure shall for the present be carried out as if the Bill were an Act. This issue, however, will be one of the fences the Government must get over when the legislature meets at the end of July.

II. STRIFE IN INDUSTRY

THE industrial worker is no less clamorous than the agriculturalist. He too has been giving trouble all over the country; and he can do it the more competently because industry is locally concentrated. Cawnpore has recently provided an outstanding example. The strike there lasted many weeks, but has been brought to an end by good sense on both sides and good service by the provincial

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Government. If the settlement proves lasting, the loss will have been worth while. The United Provinces Premier has added considerably to his reputation through his part in it, and the employers have behaved in a manner that is widely appreciated. On their side the strikers kept themselves in hand, and, although they engaged in determined picketing, there was little violence. The many strikes in the country (Bihar and Bengal have recently been full of them, and fresh strikes are threatened at Nagpur and elsewhere) may be an indication that the time has come for a general review of the worker's position. Some companies do a great deal for their men; but if an examination were made of the outcome of the Whitley Commission's report, it might be found that in the many years since that famous document was published the general advance has been slight.

The present situation nevertheless cannot be understood without reference to the suspicion in employers' minds, for which there is ample justification, that politico-labour leaders are deliberately fomenting trouble. Election time and the new constitution engendered a great deal of loose talk about the New Jerusalem that the worker would soon see. The constitution itself offers opportunities to labour leaders, who, to build up and maintain their authority, must be extravagant in their promises and criticisms. Dealing with illiterate men who have little knowledge of anything outside their own hand-to-mouth existence, they find the best way to assert themselves is to advocate extreme doctrines and claims. As a rule they are professional leaders, having no connection with the industries in which they make trouble. An instance of this was seen recently at a tobacco factory in the Madras presidency, where a strike led to shooting. At the enquiry it came out that the man who had agreed to lead the union which the workers were setting up knew nothing of the organisation of the industry, of the work the men had to do, the wages they drew, or of the wages paid elsewhere. He drafted far-reaching demands on the basis of conversations with a few of them, and after

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a hasty study of certain British blue-books and some Soviet and other labour literature.

Similar outside intervention was seen in the big jute strike in Bengal a year ago. It is seen, or felt, in most industrial centres. If employers could deal only with their own men, understanding might be arrived at more easily. Industrial workers, however, are too uneducated to produce union leaders from their own ranks; if they did, they say, employers would easily circumvent or intimidate them. It is generally agreed—and employers are as emphatic about this as anyone—that only the development of sound trade unionism can bring peace to industry, a trade unionism concerned with the welfare of the worker as a part of his industry, and not with any politico-economic theories. But to-day it is hard to find a foundation on which to build sound trade unionism in India.

Not all Indian employers are good by any means. To many their workers are "hands" and nothing more. Yet plenty of good employers can be found, men who provide amenities in the shape of housing, schools, medical care for workers and sometimes for their families, and facilities for recreation. In industrial disputes these are hardly ever mentioned by spokesmen for the workers. Attention is fixed only on wages when complaints are made. The demands generally take the form of an immediate programme of improvements of a kind that even in a Western industrial country would be classed as long-term. When Indian labour threatens to strike because it has no annual holidays with pay, or no maternity leave with pay, it has obviously been well coached. Again, where local conditions are deplorable (as much of the housing accommodation is everywhere) the employers receive all the blame, though the responsibility may ultimately rest with the local authority.

Not everyone at Cawnpore thinks that all will henceforth be peace. There has been talk of moving industries from that city to Indian States, where labour would be less

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sophisticated and Governments less inclined to apply pressure on employers. Three industries that had been contemplated for Cawnpore, it is reported, will be built up in Bhopal. With India as it is, few people will believe that a new and happier world can be found by moving a little distance.

III. CONGRESS AND THE MOSLEMS

ONCE again an attempt has been made to bring about an alliance between the Moslem League and the Congress. In April the League held a general meeting in Calcutta, which in attendance and enthusiasm was a great personal success for Mr. Jinnah. Its deliberations, however, were not of outstanding importance. In the weeks after the meeting discussions were pursued with Congress leaders by correspondence and interview, but nothing came of them. Mr. Jinnah failed to persuade the Congress men to recognise the League as "the other half", as an independent army under its own leader engaged in the same purpose but after its own fashion. When the correspondence was published a common criticism was that Mr. Jinnah is not very persuasive with the pen. Nor did it further his aim that he would meet Mr. Gandhi only at his own house near Bombay, though he himself had had to pass near Wardha in order to get there. The League has declared against federation, but some cynics suggest that the purpose is only to get level with Congress.

In these discussions Congress has always a fundamental advantage. It is, at any rate in theory, and is anxious to be in fact, a national, not a sectional institution. To the charge that in sentiment and outlook and composition it is a Hindu organisation, the reply is that in proportion as others come in any justification for such charges disappears. No one seems to have disproved the statement that, notwithstanding the League's progress of late, Congress has more Moslem members than the League. No signs are visible of any comprehensive political understanding between the two

MINISTERIAL TROUBLES

communities. Bengal has lost none of its bitterness about the Communal Award; the Congress President, a Bengali, cannot ignore this factor, although Congress itself does not treat the Award as a major grievance, having to consider Moslem feelings. Moslems, on the other hand, make the most of anything that may be represented as Congress tyranny over Moslems in the seven provinces.

IV. MINISTERIAL TROUBLES

THE previous article in THE ROUND TABLE on Indian affairs dealt with the resignation and return of the Bihar and United Provinces Ministries when the Governors refused to assent to the immediate release of all political prisoners.* Since then another Ministry has been on the brink of resigning because a civil servant of that province was selected to act as Governor. Many Governors are on leave this year. Only in Orissa, however, was an official of the province (Mr. J. R. Dain, since knighted and now on leave preparatory to retirement) chosen as deputy Governor. Protest was strong; the Ministry declared that it could not work under a man who in his own post was its subordinate. It made ready to depart. The crisis was overcome at the last moment by the Governor's decision to cancel his leave. Though he was a sick man, Sir John Hubback stayed on, and all were grateful to him. Comment was heard that his Government had pushed its protest too far; that it was obvious that a mistake had been made which would not be repeated. To Mr. Dain himself, whose merits it openly recognised, the Ministry had no objection; it was maintaining a principle.

The Central Provinces Ministry's trouble has been of another kind. Public opinion forced it to get rid of its one Moslem Minister, who held the portfolio of Justice. Without consulting either the Premier or his colleagues he had released a certain prisoner, a man of standing and an

* See THE ROUND TABLE, No. 111, June 1938, p. 559.

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educationalist in a position of great responsibility, who had been found guilty of premeditated rape of an under-age *Harijan* * girl and sentenced to three years' rigorous imprisonment. This sentence had been confirmed by the Sessions Court and the High Court. The Minister's explanation of the release, after the man had served one year's imprisonment, was that he had motherless children. Public opinion boiled up, and women saw to it that it was kept boiling. The *Harijans* of Bombay made their feelings felt. The provincial Government in its embarrassment referred the matter to the Congress Working Committee, which consulted Sir Manmatha Nath Mukherjee of Calcutta, an ex-judge of that High Court. His comments left but one way out; the Minister's resignation was accepted. These events have left a nasty taste in the mouth.

In Bengal, too, the Ministry lost a Minister, in this case through internal dissension. It was known that there was a quarrel of one against ten, and that a break of some sort would soon come. One morning, in the small hours, the Governor received eleven resignations, ten from the Chief Minister on behalf of himself and nine colleagues, one independently from Mr. Nausher Ali, Minister for Self-Government. He had steadily refused to resign unless all his fellow Ministers did so, having his own views of constitutional procedure. It was rumoured that the Governor had been pressed to dismiss him and had refused. The Governor, accepting the resignations, at once invited Mr. Fazlul Huq, the retiring Chief Minister, as leader of the largest party in the Assembly, to form a new Government, which he did by inviting the nine faithful to resume their offices. The new Ministry of ten was in harness before midday.

Correspondence between the Chief Minister and his troublesome colleague has been published. What they quarrelled about is not clear, but they certainly quarrelled with a will. Mr. Nausher Ali complained that the

* Depressed class.

RECENT REACTIONS TO FEDERATION

Government had forgotten the peasant, that hardly any of its members knew anything of the villages, that it was subservient to landlords and European imperialists. He thought it folly to bring out Sir Francis Floud to investigate the Permanent Commission; what purpose could be served by his ignorance of Bengal?

V. RECENT REACTIONS TO FEDERATION

HAVING receded into the background for a while, the subject of federation has returned to public discussion. Statements made in London, at dinners and elsewhere, have evoked suspicions and counter-statements in India. To federation as set out in the 1935 Act Congress has maintained a consistent hostility. Criticism, however, is not uniform. There have been signs of weakening in the opposition of Congress members, and the President has announced that, if there is any prospect of a majority vote within Congress for putting the second part of the Act into operation, he will resign his office in order to gain time to fight it. Similarly, Pandit Jawaharlal Nehru, whose cordial reception and speeches in London have been followed with eagerness in India, is no compromiser. A year ago he said: "We will resist it, we will break it, we will tear it, and we will burn it". His opinion remains unchanged.

Mr. Subhas Bose, the Congress President, would throw the federation part of the constitution into the melting pot and let something new emerge under Congress stirring. Pandit Nehru would tear up the whole and have a new Act, made in India, Indian in texture and sentiment, worked out by a constituent assembly. Mr. Satyamurthi of Madras has made moderating suggestions, which are scouted by most Congress thought as concessions to imperialism, although a few years ago they would have seemed drastic enough. It has frequently been his fortune to give counsel that has later been found to be good, but without receiving reward or appreciation.

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Of late there has been an expectation in the air of some concession to Indian thought, stimulated naturally enough by the presence in England of the Viceroy and many Governors as well as a number of Indian politicians of outstanding importance and by the published comments of one or two men prominent in British politics who have recently visited India. It has been freely rumoured that the India Office was preparing a statement of possible modifications in the federal part of the constitution. A recent announcement from the India Office that nothing of the kind is intended has not cured everyone of the belief that there is important work in hand relating to federation. But it is generally admitted that the India Office would find it hard to strike an average of opinion in India. Moderate Congress opinion would perhaps be satisfied with some minor changes in the Act. Mr. Subhas Bose announces that any divergence of view in Congress ranks will split it in two. The Moslem League thinks federation, as proposed, while not providing sufficient responsibility at the centre, will give a preponderance there to the Hindus. This latter prospect does not disturb the Hindu Mahasabha, which is anxious to get on with the federal scheme as it stands. The Liberals, somewhat hard to find nowadays, would accept the scheme only because it shows a way of establishing nationalist influence at the centre. So far as there is any feeling among those whose thoughts are not under party discipline, it may be summed up as an expectation that federation is on the way; that repudiations of it are no more convincing than were the previous Congress declarations that it would have nothing to do with provincial autonomy; and that once it is established, most parties will make the best of it. According to this view, any small changes that might grease the wheels should be conceded for the sake of peace and progress, while major changes need not be considered until experience has shown what they should be.

FEDERATION AND THE STATES

VI. FEDERATION AND THE STATES

WITH regard to the position of the States in a federation, however, there is wide concern. How will the populations fare under autocratic rulers, while yoked in a federation with the peoples of British India enjoying representative institutions? What will be the outcome of an attempted amalgam of democracy and autocracy? The recent assurance from London in response to such misgivings, that nothing in the constitution prevents democratic progress through representative institutions in the States, has given some satisfaction. It is now for the Princes of their own volition to read the signs of the times. Of late, however, they have given little indication of their views: nor is the public aware what effect the visits of the Viceroy's special representatives may have had upon them.

The argument that more enlightenment is necessary in the States if federation is to be a success has received added point from two recent episodes,—the “rebellion of Sikar”, and the clash of State authority and State Congress with bloodshed at Viduraswatham in Mysore. The same moral is drawn even from the troubles in the Travancore and Quilon Bank, which are now being investigated with a view to reconstruction. By some it is being maintained that the responsibility lies with the State and its Dewan, who persecuted and impeded the bank because some of its directors were connected with the Congress party in the State, a view to which the Dewan himself, Sir C. P. Ramaswamy Ayer, has given vigorous denial. As the situation is in a sense *sub judice*, controversy is suspended for the time.

Sikar's defiance of its overlord, the Maharajah of Jaipur, has kept all India interested. No one knows exactly what occasioned the outbreak. According to Sikar's people, Jaipur attempted to exceed its powers; the Jaipur authorities, on the other hand, insist that agitators were anxious to make trouble. Certainly many from outside were more

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than observers. But some of these were men of position who had a connection with Sikar, and could not be suspected of any nefarious purpose in going up from Calcutta or Bombay to help in reaching a settlement. Sikar is a small semi-independent town in Jaipur's domain, paying tribute as a feudatory, but with a limited civil and criminal jurisdiction of its own and its own police. Its Rao Rajah is a feudatory of Jaipur, an *Istimrar Muamlaguzar* or perpetual lessee; one theory, repudiated by Jaipur, is that the title derives from the Emperor Akbar. Sharp differences arose, and soon Sikar was in a state of defiance and defence. It closed its gates, suspended its courts, and rejected all orders, while armed Rajputs from all sides poured in to help. Jaipur had part of its forces mobilised outside Sikar and the scene seemed set for a mediaeval town-storming. Fortunately there was sufficient self-control and good temper on both sides to avert a serious clash. The Jaipur authorities acted with forbearance, and the ability with which the Inspector General of Police, who was in charge of the Jaipur forces, handled a difficult situation was a splendid factor on the right side. The absence of the Maharajah in England at the peak of the trouble was the cause of much comment. He has since returned by air, but not promptly enough to satisfy public opinion.*

Mysore, often referred to as the model State, has been the scene of a shooting affray with much loss of life at Viduraswatham. This is the only clash resulting in bloodshed between a State authority and a State Congress party for many years. Congress in the States is not part of the Indian National Congress, which has vacillated in its policy about Congress activities in the States. Its present policy appears to be a compromise; it has abandoned hope of

* Since this article was written, the Maharajah has made a triumphal entry into Sikar and received the submission of its inhabitants. The view appears to be widely held that, while the trouble was mainly due to the eccentric behaviour of the Rao Rajah, Jaipur should investigate the possibility of making administrative changes to remove any legitimate ground of dissatisfaction for the future.—*Editor*.

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influencing developments in the States through its own action, while recognising in some fashion State Congress parties, provided that they accept the leadership of the Congress Working Committee. As an investigation is proceeding, nothing more can be said with profit. The clash occurred at a festival where there was a multitude of pilgrims. Members of the local Congress party tried to make the most of the occasion by speeches and flag hoisting; orders were disobeyed; an ugly situation developed, and firing was ordered. The deaths were seven by official counting, about thirty in general belief. Strained relations between the State and the local Congress organisation began about six months ago, and the latter unfortunately ignored wise hints from the central Congress.

India,

July 1938.

NEW DEALS AND NEW ECONOMICS

I. THE DECLINE OF LAISSER-FAIRE

THE nine years that have passed since the happy days of 1929 have been so tightly packed with crises that even now it is hard to think of them with a balanced judgment. In particular, the revival of power politics has brought warfare to three continents and an increasing terror to men's minds throughout the world. Yet it may be that some politicians and political movements have been granted too much of the world's attention which they so peremptorily demanded. Causes have sometimes been obscured by spectacular effects, and movements of permanent importance have been forgotten in the presence of temporary, if acute crises. Thus, it is possible to detect a current of world opinion which is shared by peoples holding the most divergent political views, and which may embody an idea of permanent value. Nine years of troubles have helped to destroy an outworn conception of society, and to emphasise a more generous and optimistic view of the aim of social organisation. They have shown, moreover, certain practical means whereby this aim may be pursued. The change has been shown in the development from a passive to an active policy towards economic problems, culminating in energetic counter-attacks against the depression. In every civilised country the state has accepted plainly, by deeds if not in words, the obligation to protect the economic welfare of its subjects. The depression period may be seen by future students as a turning-point in the long struggle between the principles of classical liberalism and those of state intervention.

THE DECLINE OF LAISSER-FAIRE

The chronology of movements in political thought can never be precise. In the nineteenth century, however, it was widely felt that the function of a government was to govern, to keep law and order, and to protect life and property against physical violence. These tasks were straightforward and finite, and, in the phrase of President Harding, not so very difficult after all. As for economic problems, the state was held to be absolved from responsibility by a truly providential arrangement: namely, that men in striving for their own gain automatically and inevitably promoted the public good. At most, then, the government should act as benevolent umpire in a world of striving individuals. Its main function was to see that no human agency should obstruct or delay the working of natural law.

This theory, dominant as it was, could never be acted upon with logical consistency. It was humanly unworkable. In countless individual cases the state was compelled to intervene in economic affairs by arguments of humanity and of expediency. The theoretical need for intervention was expounded at least a hundred years ago, when French socialists included the right to work among the Rights of Man; of what use is political equality to a hungry man? And in practice intervention was systematised by Germany, pioneer in state-socialism under a military monarchy, closely followed by the democratic British communities overseas; for colonists in a new country could not allow old-world theories of non-intervention to weigh against the practical necessity for state assistance and the state organisation of economic life. The same trend was enormously strengthened during the war; and after 1919 the tide of economic nationalism ran strong during a period of political internationalism. Yet in 1929 *laissez-faire* liberalism was still the background to most men's thinking about politics, especially among the commercial and financial groups who are so powerful in government. In particular, it needed the disasters of 1932 and 1933 to force upon optimistic,

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individualist America a change not only of practice but also of outlook. With 14 million unemployed and no immediate prospect of business recovery, the United States jettisoned a national faith. In the phrase of André Siegfried, "*c'était une crise morale autant qu'économique*". A people traditionally individualist felt a sudden strengthening of national cohesion, "a growth of social consciousness". They who had never doubted that rugged (if selfish) individualism was the key to permanent prosperity determined that their newly realised national strength should be applied to solve the problem of the depression.

Laissez-faire is by no means dead as a political influence. Yet the desertion of the United States, and the continued—sometimes frantic—activity of all governments during the past nine years may well mark a decisive change in men's thinking. That, it may be suggested, is one outstanding result of the depression. A second is the change from the policy conveniently labelled deflation to that called reflation or expansion.

II. THE DISCREDITING OF DEFLATION

IN 1929 the world had no plans for meeting a depression. For one thing, in the popular mind at that time, 1928 and 1929 did not appear as years of boom when a slump might be feared; rather they seemed a continuation of the slump when men still looked anxiously for signs of recovery. The result was that state after state, struck by the "economic blizzard", met the emergency with desperately devised expedients. Common sense and accepted economic theory ensured that these expedients should be broadly "deflationary" in character. In face of falling revenue it seemed only reasonable for governments to "cut" their expenditure. Salaries, wages, public benefits were almost universally reduced, and capital expenditure on public works was cut away.* Meanwhile, taxation was generally increased

* As regards public works, Sweden, and later Australia, were interesting exceptions.

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and trade further restricted by tariffs, quotas, and subsidies.

Most governments were simply hustled into such measures by sudden and apparently irresistible economic pressure. In many cases, however, deflation was given a rational *apologia*. The argument was that costs of production must be reduced in order that industry might live in the new conditions. This argument had special force in those countries that were particularly dependent upon exports. Belgium, for example, feared the closing of markets for manufactured goods through economic nationalism. New Zealand's primary products secured prices so low as to dislocate the country's whole economy. In both countries relief was sought in forcing down costs by all the means that seemed available. The same policy was followed at different times by other countries. Often the whole weight of the state's authority had to be used to enforce adjustments on the reluctant, and to over-ride established law and custom. Some nations helped to balance their budgets by repudiating part of their national debt. Even President Roosevelt followed at first an "orthodox" or deflationary policy.

Up to a point deflation succeeded, as witness the rapid fall in costs and the accumulation of banking reserves. In some countries—such as Germany, Belgium and New Zealand—there is plain evidence that the success of deflation in these directions greatly facilitated subsequent expansion. Reserves had accumulated and could be used. Since industrial costs were low, a policy likely to raise costs could be followed without immediate danger. Yet as a method of organising prosperity deflation is now profoundly discredited. This is partly due to criticism by a group of economists led by Mr. Keynes; but it is due still more to a popular and unscientific reaction. Governments had asked their peoples to endure economy and retrenchment on the ground that prosperity would be promoted. But when depression continued for year after year the argument wore thin. It was not in practice

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comforting for a wage-earner living in daily insecurity to be told that the retail price index had fallen more than his wages had been cut; the unemployed in particular failed to appreciate the argument. Nor was it encouraging to Frenchmen to be told that M. Laval's policy was failing because it was not deflationary with sufficiently rigid consistency. In short, the ordinary man rebelled. He refused to acknowledge that further sacrifices were necessary. When means of production had been vastly improved, and when men and factories were idle, it seemed nonsense to suggest that the right remedy was for people to consume less. On the contrary, it seemed that a remedy more sensible as well as more pleasant would be to consume more.

In other words, the situation was psychologically ripe for the fashionable doctrine of purchasing power. Further, attention was more and more concentrated upon credit policy, as being the main single factor that regulated the community's purchasing power. The existing financial system seemed to give practical proof that it had grave technical faults: witness the banking crises in Austria, Germany, the United States, and Belgium, and the international migration of capital, which shook every great financial centre in turn. The existing banking system seemed to give to one class powers of life and death over the community, particularly (it was urged) since governments through collusion or weakness had made themselves the instruments of the bankers' deflationary policy. Such lines of thought were expressed in every country: the bitter attacks on the Belgian "bankers' government" of M. Theunis, and on the "two hundred families" of the Bank of France were typical but not isolated instances of popular reaction. And the moral was plain. In the general view, the problem of production had been solved; the world was now faced with a problem of under-consumption, which could be solved by the adoption, under state leadership, of a correct credit policy.

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If there was a "typical" view of the lines to be followed by this credit policy, it was probably that which was expressed in almost identical terms by men so different in outlook as the economic spokesmen of Nazi Germany, and Mr. Nash, socialist Finance Minister in New Zealand. The conception is, broadly, that the function of credit is to enable labour to transform raw materials into consumable goods. If labour, materials and demand for finished products are all there, only good can result from the provision (or creation) of the necessary credit. It is when labour or raw materials are lacking that continued creation of credit causes inflation. All is well if new credit is always balanced by a new marketable asset, and if supply always equals demand. As the matter has been explained by an eminent German, production and credit are two parallel streams, and it is the function of the state to see that they move together harmoniously. Dislocation must result if the credit stream is made to conform to some rigid standard—such as the gold standard—which might be quite inappropriate to the needs of national production.

Most people had not considered the matter deeply, and many of those who had studied it would have rejected such theories. Yet there was a general feeling that monetary policy should be made the servant of society, not its master: witness the wide vogue of Social Credit in the United States, the British Dominions, and some continental countries. Again, faith in the sovereign virtue of the "gold standard" gradually decayed, and the mystic terror of inflation was in time weakened, even in countries like France and Belgium, which had suffered severely during the post-war inflations. In short, general opinion about money and credit came to permit—even to demand—government-controlled "reflation", though in 1929 it had virtually imposed "deflation".

III. EXPANSION IN PRACTICE

ACCORDINGLY, to the period of "deflation" there has succeeded the period of "expansion", or of "New Deals". As in the first phase of the depression, there has been an impressive degree of similarity in thought and action throughout the world. However, it is convenient to draw examples chiefly from the United States, New Zealand, France and Belgium. Different as they are in economic and social structure, these countries afford striking examples of the evolution of a common principle: state action to promote national prosperity under the compelling pressure of urgent public demand.

The United States has become the spiritual home of the "purchasing power" theory of prosperity. This theory was, in fact, eminently suited to American conditions. The underlying conception was that of using the community's credit to place purchasing power in the hands of the ordinary public; they, having money, would spend it quickly, and so start again the wheels of industry. The "average" American, whose instinct was in fact to spend as quickly as possible, naturally welcomed such a policy. President Roosevelt's programme also embodied many measures that reflected America's newly developed social consciousness: for example, regulations relating to the labour of women and children, minimum wages, and encouragement of trade unionism, which had in fact taken on new strength even before the recovery legislation, and which appreciably helped its progress. The President's measures, by shortening hours, also seemed to promise relief to unemployment by spreading among a larger labour force a volume of work that had been drastically reduced by labour-saving efficiency in production. The public debt and the rate of income-tax were light as compared with those of most European countries, and natural resources were remarkably rich. It was therefore comparatively easy to raise ready money without straining the national credit.

The Federal Government thus adopted without difficulty the deliberate policy of spending vastly more than its income. Much of this money was spent in straight relief, but the Government also undertook a vast public works programme, which became one of the main instruments of American anti-depression policy. The conception was not new. In particular, it had been worked out in some detail as a practical policy by Mr. Lloyd George and his collaborators in the Liberal party's 1929 election campaign. England turned her back on this adaptation of Liberalism to state leadership in economics, but the plan was passed on to Mr. Roosevelt by Mr. J. M. Keynes and by some "unorthodox" American economists, and it has become a cardinal feature in "New Deals" throughout the world. Public works, it is argued, absorb unemployment, give a stimulus to the credit system, and help to perfect a country's economic equipment.

The "purchasing power" theory, fortified by reputed success in the United States, has had profound influence in other countries, even where conditions were fundamentally different. Notably, it influenced the policy of the New Zealand Labour Government and the Popular Front in France. As contrasted with the United States, New Zealand has a small internal market, and depends very largely on the sale of primary produce overseas. Her public debt is fairly high, as is natural with a "young" country recently developed by overseas capital; and she is comparatively well equipped economically by vigorous public works programmes of the past. Yet the Labour party argued during the depression that the country could have been "insulated" from world economic conditions by an "expansionist", or at least non-deflationary, policy. While in opposition, the party sketched the broad lines of such a policy: state control of credit, public works expenditure, the restoration of wages, increase of unemployment-relief rates and pensions, and above all the "guaranteed price" to stabilise farmers' incomes whatever happened to

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overseas prices. While in power Labour has been energetically "expansionist" along these lines. Its spokesmen claim (with reservations that are not always clear) that a continuance of such a policy, by keeping up local purchasing power, will protect the country from future slumps originating overseas.

New Zealand is thus launched on an interesting experiment in economic policy, and some of the vaguer promises of Labour's pre-election programme are crystallising into comparatively concrete and coherent plans for social organisation. Here the foundations had already been laid. New Zealand had long ago established many of the principles which the New Deal sought to introduce into the United States. The policy of raising and securing standards of life by social legislation has its roots in the country's history, and had of course been adopted by the Labour party long before the depression. Both parties have in fact pushed forward social control, but Labour has pushed harder, and has at the same time placed renewed emphasis upon social security. In short, the New Zealand Government seems likely to take advantage of the fact that the country's small size, simple structure and political tradition make economic leadership relatively simple. The differences between conditions in New Zealand and those in the United States and France are not all to the disadvantage of New Zealand.

As to France, she has an internal market vastly smaller than that of the United States (partly because her people on the average are poorer) though not so minute as that of New Zealand. Her people have the tradition of saving, not of spending. In spite of past inflation and revaluation of the franc, her existing public debt was extremely heavy; and her undeveloped resources were comparatively small. Finally, French unemployment never reached proportions comparable to that in the United States, either as an economic or as a human problem. Nevertheless, the programme rushed through in France under pressure of

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the strikes in June 1936 was strikingly similar to the American New Deal. Increased wages, encouragement for trade unionism, the 40-hour week, and the increase in government spending—all were justified by the same attitude of mind as prompted similar steps in the United States. This was the more striking in that France, like the United States, was backward in social legislation and reforms were hurried through which, as people of all classes agree, were long overdue. As for public works, the programme foreshadowed by election promises and explicitly demanded by the trade unions has actually been replaced by vast expenditure on armaments, dictated by the international situation. Such expenditure has of course been undertaken throughout the world. Economists of the next generation should have plenty of evidence by which to judge the value in a national economy of unproductive capital expenditure, or, more bluntly, of economic wastage on a large scale.

IV. THE BELGIAN EXAMPLE

THE change from deflation to expansion was essentially due to the demands of a strong current in world opinion. "In economic matters", it has been said, "the 'categorical imperatives' of politics have always ruled. The facts have had to adapt themselves to popular programmes and to the prejudices of crowds". And the categorical imperative demanding spectacular action against the depression was urgent and politically irresistible. Often it called to power men and parties with no previous experience in government, and launched them headlong into economic policies for which they had not been prepared by mature previous study, and for the execution of which they lacked the essential administrative experience or machinery. Consequently, the early history of expansionist governments was marked by energy and goodness of heart rather than by clarity of mind.

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Of this benevolent confusion there is one outstanding example, the United States, and one outstanding exception, Belgium. The last Belgian deflationary Government was, indeed, overthrown by political propaganda rather than by scientific demonstration that its policy was unsound. But the National Government of M. van Zeeland, which succeeded it, showed no sign of confusion or lack of precision in its policy. M. van Zeeland and his collaborators set themselves a definite task: to re-create conditions in which private enterprise could be successful. World conditions favoured his work; for by the time he came to power there was a fairly general economic revival in other countries. His task was to remove the special circumstances that prevented Belgium from sharing this improvement. Yet tasks as straightforward and as specific have defeated ill-planned efforts, and the point of real significance is that M. van Zeeland had equipped himself by careful and accurate study of the problem he was called upon to solve.

In striking contrast with the United States, New Zealand, and France, the argument in Belgium was not that purchasing power should be directly raised. To M. van Zeeland this would be the fruit of economic well-being, not its cause. His analysis was based on the intimate connection of Belgian economic structure with the sterling bloc, and on the fact that Belgium had never adjusted herself to the changes following the depreciation of the English pound in 1931. An elaborate calculation based on price levels in the two countries showed the exact extent to which the Belgian franc should be depreciated. This, it was hoped, would raise wholesale prices immediately, an effect that would revive industry. Retail prices would rise more slowly, so that by the time the cost of living had increased appreciably renewed prosperity would enable higher wages to be paid. And so, step by step, the economic consequences of devaluation were worked out, and plans were laid for state intervention at every point where it seemed

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necessary to guide the movements of prices and of trade in the desired direction.

In consequence the van Zeeland Governments could proceed with a swift assurance which in itself engendered confidence. The whole strength of the state and every device of propaganda were used to ensure that events should move according to the pre-determined programme. In particular, M. van Zeeland and his colleagues had learnt a lesson that seemed never to have been fully grasped by Governments of the deflationary period: that modern economic policy is as much a matter of psychology as of economics. For example, in the public mind devaluation meant inflation with sudden and drastic increase in retail prices. The statesman must reckon with such prejudices, and one of the most interesting things about the Belgian experiment was the way in which public opinion was guided by a judicious mixture of persuasion, compulsion and dogmatic assertion.

There can be little doubt of M. van Zeeland's substantial success. By energetically asserting the state's paramount authority, his Governments enabled the classical principles of private enterprise, profit and property to function once more. During the last twelve months, however, world conditions have completely changed, and Belgium's task is now to defend herself from depression originating elsewhere. Whether she succeeds or fails in this further task, M. van Zeeland's experiment has shown how economic leadership, with limited objectives and based on expert knowledge, can be applied to a conservative community, and can produce concrete results without revolutionary tension.

V. SOCIAL THEORY TO-DAY

BELGIAN experience (and, along different lines, the experience of Sweden) is particularly interesting because most Governments during the past nine years have faced their economic problems without adequate preparation

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and without the necessary machinery for collecting information and administering an active policy. In the United States, for example, the civil service has been cramped by the "spoils" system, and when the state set out to control the producers it was often driven by lack of expert knowledge to employ the producers themselves to tell it what to do. In France it is said that the programme of nationalising armament factories was halted by lack of trained personnel; socialist organisations have now adopted the definite policy of giving their members practical training in administration. In Germany the adoption of the Four Year Plan led to the creation of a whole new group of departments, overlapping the old Ministries concerned with economic affairs; an attempt was recently made with totalitarian thoroughness to amalgamate the old with the new and to establish unified leadership. And such instances could be multiplied. The fact is that the state was simply not equipped to carry out the duties of economic leadership and organisation which public opinion so eagerly thrust upon it; for its equipment was a legacy from the period when liberalism was dominant.

There is no particular reason to expect any weakening in the political pressure that has thrust active economic duties on the state. On the contrary, there is now probably a wider interest in economic problems than ever before. No important group denies the principle of state intervention—at least when it desires government help in its own difficulties. Radical opinion tends more and more to demand that such intervention should be pushed to its logical conclusion. The common sense of the ordinary man still rejects *laissez-faire* and deflation; and common sense is fortified by the arguments of many economists. The late Director of the International Labour Office, for instance, has expressed the considered opinion that the world's comparative prosperity in 1937 was due to the energetic policies of Governments rather than to the blind benevolence of natural economic laws. Finally,

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as regards the conduct of Governments, active intervention seems to be one point on which all are agreed: democratic and totalitarian, bourgeois and socialist. As for the United States, last year's reduction in government spending was criticised from both sides, and there is no reason to think that Mr. Roosevelt's ultimate policy of meeting "recession" by vast "pump-priming" expenditure was then or is now contrary to the popular will.

Such facts do not prove that the state will successfully equip itself to handle economic problems, but they do indicate that a sustained attempt at social control is almost inevitable. That being so, the search for means to make that control effective without destroying the basis of Western culture is a vital one for the next generation. The past nine years have helped to clarify in the public mind a social ideal many times formulated in theory, most clearly, perhaps, by the English Fabians. But they did no more than sketch the means whereby that ideal might be realised.

GREAT BRITAIN

I. POLITICS AND ECONOMICS

PARLIAMENT has adjourned for the summer recess after a session devoted mainly to three matters: foreign policy, especially the problems arising out of Spain and Czechoslovakia; economic legislation, including the financial business that always occupies the greater part of parliamentary time at this season; and the issue of privilege with other and perhaps graver issues underlying it, in the affair of Mr. Duncan Sandys.

As far as foreign policy is concerned, the Prime Minister did something to heal the division of national opinion by his statement in the House of Commons on May 23 immediately after a week-end of European crisis in which it is believed that firm British policy helped to rebuff the hot heads in Germany. Mr. Chamberlain said that the Government was unable to give an automatic guarantee of Czechoslovak integrity, since that might involve Britain in war through circumstances over which she would have no control, and in an area where her vital interests were not concerned in the same degree as they were in the security of France and Belgium. That was certainly not the position resulting from the Covenant. The Prime Minister added, however, that where peace or war was concerned legal obligations were not alone to be reckoned with. If war broke out, under the inexorable pressure of facts, other countries, besides those engaged in the original dispute, might almost immediately become involved. This was specially true of two countries like Great Britain and France with long associations of friendship, with interests closely interwoven, devoted to the same ideals of democratic liberty, and determined to uphold them.

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Public opinion in the country has been more divided over the Spanish issue; for the bombing of British ships in the harbours of eastern Spain inflamed once more the feeling of distrust towards General Franco and his allies, as well as hatred of some of their methods, which are held by the great majority of the population.

The budget, which last year ushered in the violent storm over the National Defence Contribution, raised very little contention this year. The Opposition's main grievance was that a fresh tax had been imposed on a staple article of diet for the poor, in the shape of the extra 2d a lb on tea. Greater interest in Parliament and in the country was aroused by the later stages of the Coal Bill, which has at last been carried into law. When the Bill reached the committee stage in the House of Lords, the Government were outvoted on a number of vital points. The main trouble was the alleged inadequacy of the compensation payable to royalty owners when their rights were nationalised. The Government was unable to defeat amendments that would have substantially increased the cost, complication and delays of the nationalisation of coal royalties. When the Bill came back to the Commons, the most important of the Lords' amendments were rejected at the Government's instance, while many secondary changes were accepted against Labour opposition. The House of Lords did not press the dispute further, and the substance of the Bill stands intact.

Among the other economic measures introduced by the Government was a Bill to regulate the wages and conditions of work of road haulage workers. A central board is to be set up for the industry, composed of representatives of employers and work-people in equal numbers, with some independent members. After consultation with subsidiary boards in the different districts, the central body is to submit to the Minister of Labour a scheme covering, not only wage scales, but also over-time rates, subsistence allowances, and pay during holidays. The Minister will

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then make an order giving the scheme statutory effect, enforceable by penalties. The Minister claimed with some pride that this was the first time that holidays with pay had been dealt with by statute. It might, he added, be a landmark in our industrial and social history.

This particular provision in the measure is, in fact, only an incident in a wider movement that has been gaining momentum for some time. Last April a committee under the chairmanship of Lord Amulree unanimously recommended that everyone engaged in industry should be allowed an annual holiday of at least one working week with pay. It proposed the early introduction of legislation to instruct trade boards, agricultural wages committees, and other statutory bodies regulating wages to provide for holidays with pay; and to compel employers of full-time domestic staffs to give their employees two weeks holiday with pay each year, if their services had been for a full year or more in one household. The committee also drew attention to the need for the "staggering" of holidays from mid-April to the beginning of October, instead of concentrating them in July and August. Education authorities should try to arrange school holidays to fit in with industrial holidays. An incidental proposal was to fix the Easter holiday.

The Government confessed themselves unable to take up this last suggestion, but early in July they introduced a Bill carrying out the central recommendation that trade boards and similar bodies should be empowered to direct that workers whose wages they regulate should be granted regular holidays with pay in proportion to their period of employment. The Bill also gave authority for the machinery of the Ministry of Labour to be used in the administration of a holidays-with-pay scheme, on condition that organised employers and workers in the industry or branch of industry concerned made a joint application for assistance. The Ministry would be empowered to issue to the workers the holiday payments due under the scheme,

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these payments and other expenses being recoverable from the parties. Apart from these voluntary provisions, which will undoubtedly reinforce existing schemes and stimulate fresh ones through agreements between employers and work-people, the clauses relating to trade boards and similar bodies are expected to add two million of the country's lowest paid workers to the number of those receiving holidays with pay. There are about 18½ million manual workers in the country, of whom about 7½ million already come under some scheme of holidays with pay.

Unfortunately, the problem of protracted holidays for those who would much rather not have them, in the shape of unemployment, does not grow less. Between April 4 and May 16 the numbers of the unemployed rose by 31,000, and by June 13 another 24,000 had been added, bringing the total to 1,802,912. This was half-a-million more than at the comparable date of 1937. The cotton and other textile trades have been foremost in contributing to the increased unemployment, the cotton industry alone having over 100,000 more unemployed now than a year ago.

Although the unemployment insurance and unemployment assistance schemes are financially sound and secure, every rise in unemployment intensifies some of their secondary problems. Of these perhaps the most fundamental is that of the relation of unemployment pay to wages in cases where the needs of the individual are great while the normal wages are low. This problem occupies a good deal of attention in the latest annual report of the Unemployment Assistance Board. The report records that roughly half the male applicants for assistance declare normal wages of less than 50s. a week. Some 30,000 of the applicants, forming about 6 per cent. of the total, receive an allowance from the Board which is within 4s. a week of their normal wages. Since an unemployed man is saved certain expenses which an employed man must necessarily incur, in such cases the applicant is as well off on the Board's allowance as he would be in employment. In isolated instances, where the

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applicant has a large family, his unemployment pay may exceed his normal wages.

Ordinarily, the Board is instructed to apply a "wages stop", preventing the grant of larger sums than the recipient would obtain from his work if he were employed. But it is also directed to attend primarily to family needs, and the plain fact is that in certain instances family needs are not met, on the scale that Parliament and public opinion have asserted to be the minimum proper in a country like Great Britain, by the wages received in certain low-paid employments. The logical remedy for this—without regard for the moment to any other aspect of the problems involved—is obviously family allowances for all, whether employed or unemployed. This project has received support during the last few months from private members of all parties in both Houses of Parliament. It is, however, clearly a much more difficult plan to carry out in practice than to conceive in theory.

The difficulties of the unemployed have been increased by the effects of the drought and late frosts which injured almost all crops throughout the country during the spring. At July 1 the average level of retail prices of food, as recorded in the Ministry of Labour cost-of-living index, was 46 per cent. above the level of July 1914, compared with 38 per cent. a month previously and 40 per cent. at July 1, 1937. This sudden rise was due mainly to the displacement of old potatoes by the new crops at exceptionally high prices, and to increases in the price of milk, both factors being attributable to the above-mentioned weather causes. The farmers themselves have suffered considerably, though the weather has recently been a great deal more favourable. It was estimated at one stage that the drought was costing farmers £500,000 a day.

These difficulties may have contributed to the outcry that arose among them when the Prime Minister, in a speech at Kettering on July 2, rejected the policy of trying in peace-time to grow the food that we should require if

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war broke out. He said that an attempt to do so would ruin the Empire and those foreign countries that are dependent on our markets, and therefore would ruin our own export industries. Up would go our unemployment figures, down would go the purchasing power of the people, and in the end the sufferer would be the farmer himself. The idea that we could be starved out in war seemed to him entirely fallacious. We could depend upon the navy and the mercantile marine to keep open the trade routes and to enable us to import our food and raw materials indefinitely. The two precautions necessary were, first, the accumulation of certain reserves to tide over an emergency period of sudden air attack before fresh supplies could be got in; and, secondly, to ease the strain upon shipping and the navy by increasing in war-time the amount of food grown at home. The reserves had already been laid in, and the Government had their plans all worked out for increasing the amount of food to be grown in an emergency. The object of their agricultural policy was to give the farmer some measure of security. It was no use putting forward measures that would not secure popular assent and therefore would not endure for long. This statement was condemned as inadequate and complacent by representatives of the farmers and by their spokesmen in Parliament. Sections of the Opposition eagerly seized upon the opportunity to gain rural support for their own platforms. What the Conservative members of Parliament fear, however, is not so much a swing of votes to the Labour or Liberal parties as an intervention of farmers' candidates in a large number of constituencies, where the Government vote might thus be split.

The latest by-elections show no very violent trend. At Aylesbury, Sir Stanley Reed obtained a majority of 10,944 for the Conservative party, only a small fraction below the majority in the 1935 general election. The main significance of the result, however, lay in the fact that some 3,000 voters were added to the Labour poll at the expense of

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the Liberals. This took place in spite of the opinion expressed by some Labour supporters that Labour should not have entered the field, since in 1935 its candidate came easily at the bottom of the poll, and since the party vote might secure the election of an anti-Government member. In fact, Sir Stanley Reed had an absolute majority. Even more striking was the result in West Derbyshire, caused by the succession of Lord Hartington to the Dukedom of Devonshire. Here the Conservative candidate (like Lord Hartington himself in 1929, the last contested election) was elected on a minority vote, but the important fact was again the swing of votes from Liberal to Labour. A strong Liberal candidate polled only 6,515 against 13,277 polled by his party in 1929, while the Labour vote went up from 3,660 to 11,216. Another encouraging result for Labour was that at Barnsley, where the party, in a straight fight with a Liberal National candidate, succeeded in its ambition of raising its majority from 7,635 to over 10,000. At Stafford, however, Labour had a sharp setback. On a total poll that was little changed compared with 1935, the Conservative majority rose by several hundred. The Labour daily newspaper admitted its disappointment but claimed that it had been a freak by-election, offering as proof the fact that in the six by-elections in which Labour had taken part since Ipswich, up to and including Stafford, the Government vote had fallen by 8 per cent. while the Labour vote had come up by 28 per cent. At East Willesden, where only 40 per cent. of the electorate voted, the Conservatives retained the seat with a reduced majority. The Conservative candidate received 9,604 less votes than his predecessor at the general election: on the other hand, the Labour candidate, who had himself contested the seat on the previous occasion, suffered a reduction of 3,245. In other words, more Conservative than Labour voters stayed at home.

THE SANDYS CASE

II. THE SANDYS CASE

ON June 27 Mr. Duncan Sandys, the Conservative member for Norwood, who is a son-in-law of Mr. Winston Churchill, surprised and excited the House of Commons by his disclosure of certain communications that he had had with members of the Government. He had sent to Mr. Hore-Belisha, the Minister for War, a letter enclosing information—in the form of a draft parliamentary question—about the number and condition of guns available for anti-aircraft defence, and inviting the Minister to contradict these details. He had received only formal acknowledgment of the letter. The next thing he had known was that he was invited to confer with the Attorney-General, who asserted that the information sent to Mr. Hore-Belisha could only have been obtained through a breach of the Official Secrets Act. The Attorney-General, according to Mr. Sandys, held out the possibility that the latter might find himself subject to that section of the Secrets Act which compels any persons in unauthorised possession of secret information to disclose the source of their knowledge to a proper authority, under prescribed penalties for refusal. The Attorney-General's own version of the interview was somewhat different, since he claimed that this section of the Official Secrets Act had been mentioned only incidentally in the course of conversation, and it had not been his intention in the least to threaten Mr. Sandys. He had eventually given a written undertaking that Mr. Sandys would not be coerced in this way to disclose the name of his informant. The main outline of the facts, however, seemed to be clear.

Mr. Sandys sought the Speaker's advice, and was told from the Chair that he had raised a matter of great importance to members of Parliament and that his best course was to put down a motion in order that the House could discuss the matter fully. Accordingly he moved that

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a Select Committee of the House be appointed to enquire into the substance of his statement and the action of the Ministers concerned, and generally into the question of the applicability of the Official Secrets Act to members of the House of Commons in the discharge of their parliamentary duty. This motion was accepted by the Government, and a Select Committee was duly set up.

The debate on the motion on June 30, however, gave rise to new disclosures and brought new acrimony into the affair. Mr. Hore-Belisha said that Mr. Sandys' letter had arrived at the War Office not marked private or personal or secret or confidential. It had been passed to the appropriate quarter in order that the Minister might be given material for a reply. It had been returned to him with a minute from the general staff, stating that they were greatly concerned at Mr. Sandys' possessing such information; for it suggested that he knew the up-to-date details of a secret scheme concerning the number, sources of supply, and exact disposition of guns. Mr. Sandys intervened later in the debate to insist that his question had referred only to the number and condition of guns, and that he knew nothing about their disposition or about a secret document. The general staff, continued Mr. Hore-Belisha, told him that the information in question need never have been imparted to an officer of Mr. Sandys' rank, namely, second-lieutenant in the territorial force; and that it was not in the public interest that such a question should be asked in Parliament. They had decided, before any debate took place in the House, that a military court of enquiry should be held. Mr. Hore-Belisha had sent the relevant papers to the Prime Minister seeking his advice. Mr. Chamberlain advised him, in an interview on June 23, to lay the facts before the Attorney-General. It had been difficult for him simply to ask Mr. Sandys to withdraw his question—a course that Mr. Sandys himself had suggested in his letter—because the latter had challenged the Secretary of State to contradict privately the statement contained in the draft

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question; and that statement could not have been contradicted, since the facts alleged were true.

In the course of the debate Mr. Chamberlain pointed out how a conflict of interests might arise in such circumstances. A member possessed of secret information, the disclosure of which might be an offence under the Official Secrets Act, might indeed use that information in such a way as to be of great benefit to the nation. It might, however, be used in such a way as seriously to affect the national safety. Mr. Attlee, the Leader of the Opposition, declared that the House must resist any attempt of the Executive to hamper or restrain members from doing their duty. There could be no greater blow to democracy than that. If members moved under the menace of proceedings under the Official Secrets Act, a wedge would be driven between them and the servants of the state, and they would also be cut off from non-official sources of information. Mr. Winston Churchill reverted to his favourite theme of the inadequacy of the country's defences, and in a bitter phrase declared that the Official Secrets Act was devised to protect the nation and not to be used as a shelter by Ministers who had a personal interest in concealing the truth.

Meanwhile, a new element had entered into the case. The day after Mr. Sandys made his first statement, the War Office announced that, at the instance of the Army Council, a court of enquiry was to be assembled immediately to enquire into the circumstances in which a disclosure of highly secret information relating to anti-aircraft defence had been made. On the following day Mr. Duncan Sandys again rose in the House, to declare that he had received orders as a territorial army officer to appear in uniform next day as a witness before the court of enquiry. Since the enquiry was being made into a matter, certain aspects of which were to be investigated by a Select Committee of the House, Mr. Sandys asked the Speaker whether there was not *prima facie* evidence of a gross breach of the privileges of the House of Commons. The Speaker ruled

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that a *prima facie* case had been made out, and the Prime Minister at once moved that the matter be referred to the Committee of Privileges. There was general resentment in the press as well as among members of the House of Commons at this attempt to enforce a military obligation on Mr. Sandys in a matter in which he was primarily concerned as a member of Parliament. The Committee of Privileges, after taking evidence only from the Clerk of the House, presented a report acknowledging briefly that a breach of privilege had been committed. They made no reflection on the military court and did not recommend that any further action should be taken.

Mr. Hore-Belisha had declared that he was not present at the meeting of the Army Council when it was decided to set up the court of enquiry, though he accepted full responsibility for that decision. The Army Council, he added, did not discuss at that meeting the question whether Mr. Sandys might be summoned by the court. When, on July 11, the House of Commons came to debate the report of the Committee of Privileges, the Speaker ruled that Mr. Hore-Belisha's responsibility ceased after the court of enquiry had been constituted, and that therefore he was not to be held answerable for the summons to Mr. Sandys which emanated from that court. This ruling disagreeably limited the scope of the debate for Mr. Churchill and members of the Opposition who were anxious to debate the Minister's part in the whole affair. Mr. Churchill declared that, as himself a member of the Committee of Privileges, he had not interpreted their conclusion as fixing the responsibility upon the military court. He challenged the Secretary of State for War to rise and stand between the court and the censure that was now directed at it. Mr. Hore-Belisha, however, did not intervene in the debate, feeling bound, as Mr. Sandys also felt, to remain silent for the time being, since they were witnesses before the Select Committee then engaged on its investigations.

Most people thought that when the report of the

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Committee of Privileges was adopted by the House this ended the matter so far as the summons to the military court was concerned. A few days later, however, a Conservative member of Parliament told the Speaker that he had information which would appear to be inconsistent with that upon which the Committee of Privileges had founded their report. He asked how the matter could now be put right. The new information, it transpired, was that the members of the court had known nothing of the summons to Mr. Sandys to appear before them. They had had no say whatever in the summoning of witnesses, and they had not met when Mr. Sandys raised the point in the House on June 29. The Speaker took some time to consider this tangled situation. The subject of reference to the Committee of Privileges had been "the matter of complaint", and the matter of complaint had been officially described as "an order by a military court of enquiry". It was for the House itself, said the Speaker, to decide what action, if any, would now have to be taken, but his advice was that the matter should be allowed to rest where it was. The findings of the Committee and the decision of the House agreeing to their report remained substantially unaffected. They had found that a breach of privilege had in fact been committed, without making any reflection upon anybody. The Prime Minister agreed that it would be better to leave the matter where it was, but Mr. Attlee objected, on the ground that both the Committee and the House had been misled into passing censure on innocent persons, and that the House might have been given knowledge that would have prevented that error. He accordingly put down a motion to rescind the report of the Committee of Privileges and refer the question back.

This motion, however, was not pressed to a division. Instead, the House accepted an amendment by the leader of the Opposition Liberals, referring this aspect of the affair also to the Select Committee. Eight days later (July 27) the Prime Minister reported to the House that the Committee had been unable to complete its report on the first part of its

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terms of reference before the summer adjournment. Since a Select Committee could only present its report to the House, any report agreed upon during the recess could not be presented until the House re-assembled on November 1, unless some special arrangement were made. Mr. Chamberlain accordingly moved that the Committee have leave to sit notwithstanding the adjournment of the House and to send its report with the minutes of evidence to the Clerk for publication and circulation on October 18. By this means members would have a fortnight in which to consider the report before debating it and would be able to dispose of the business before the present session came to an end. The resolutions were adopted by general consent.

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I. THE SESSION AT OTTAWA

THE third session of the eighteenth Federal Parliament of Canada, which ended on July 1, had run its normal course of about five months, but it had suffered from an atmosphere of listless torpor, and showed a singularly meagre record of legislative accomplishment. For this, two factors were responsible. First, the Ministry felt that it would be both unwise and unprofitable to attempt any treatment for certain of the country's more pressing problems, such as the establishment of a national system of unemployment insurance and the readjustment of public debts, until the Rowell Commission on dominion-provincial relations and correlated questions had reported. Secondly, the Conservative party, being destined to change its leader and evolve a new programme at the end of the session, was not disposed to press controversial issues unnecessarily or to reveal its numerical weakness in divisions. The Government with its commanding majority was thus never seriously harassed, although it had to endure the mutilation of some of its Bills by the Conservative majority in the Senate, and to accept reluctantly the complete extinction of one measure, a Bill for the establishment of a prison commission on the lines recommended by the Royal Commission that had investigated the penitentiary system of Canada.

No new reputations were made on the Ministerial benches. As only one of the younger members of the Cabinet, Mr. Ilsley, is living up to his early promise, the main burden in debates was still carried by the three senior members, Mr. Mackenzie King, Mr. Lapointe and

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Mr. Dunning. On the Conservative side, Mr. Bennett once more carried out with effective vigilance and moderation the duties of an Opposition almost single-handed. He remained the dominant personality in the House of Commons, and his parliamentary prestige was never higher than on the eve of his retirement from the leadership of his party; but some of the younger Conservatives showed a greater inclination to assert themselves than in the preceding two sessions. The Social Credit members continued to harp *ad nauseam* upon their pet panacea for the Dominion's ills, but they have not made any serious contribution to the discussion of other than monetary problems, and a much more effective expression of the Left view came from the little C.C.F. (Co-operative Commonwealth Federation) group, which contains a quartette of the most competent debaters in the House of Commons.

In recent years the federal budget has been submitted in March, but this year the Ministry delayed it for more than two months beyond the normal date in the hope that it would include the tariff changes necessary to implement a new trade agreement with the United States. This hope, however, was gradually found to be illusory as the negotiations dragged on at Washington through the early summer. Eventually, after the business community had begun to complain of the unsettling effects of uncertainty about the budget, Mr. Dunning, the Minister of Finance, presented it on June 16. With revenue for 1937-38 reaching a total of \$516½ million, against total expenditure of \$530½ million, he was able to show a deficit of only \$13½ million, compared with an actual deficit of \$77½ million in 1936-37 and his own forecast of a deficit of \$35 million.* Mr. Dunning, however, had also to admit

* There was indeed a surplus of nearly a hundred million dollars, reckoning ordinary revenue (\$510½ million) against ordinary expenditure (\$411 million); the net deficit arose from two extraordinary items of outgo—\$68½ million for special expenditure on unemployment relief, and \$42½ million for the 1937 deficit of the Canadian National Railways.

that the setback in business had shattered the Government's avowed hope of achieving a balanced budget in 1938-39. For the current fiscal year he forecast a deficit of \$23 million, based on estimates of \$501½ million for revenue and \$524½ million for expenditure. While leaving the basic rates of taxation unaltered, he exempted all building materials from the 8 per cent. sales tax for the purpose of stimulating the Government's housing programme, and tried to close some loopholes used by wealthy evaders of taxation.

For the first time since 1912 not a single change was made in the tariff. The Government pleaded, as an excuse for this fiscal passivity, that a policy of unilateral tariff reduction was no longer advisable for Canada, because her two chief customers, Great Britain and the United States, were now willing to reduce their tariffs only through trade agreements. This brought to a head the growing dissatisfaction of the Government's western supporters with its apathy about tariff reform. The *Winnipeg Free Press* voiced their sentiments when it declared that there was no mandate for such a serious departure from the traditional Liberal tariff policy of reducing duties, in the interests of the consumers and natural producers of Canada, to the lowest possible level consistent with the revenue needs of the Treasury.

At a Liberal caucus in Ottawa a group of western malcontents made bitter protest. They arraigned Mr. Dunning, who was once their political hero, for leading the Liberal party into reactionary paths, and threatened to vote against the budget. Their revolt, however, was quelled by personal assurances from the Prime Minister that, whether a new trade treaty with the United States were achieved or not, substantial reductions in the tariff would be included in the next budget. Only one member of the group voted with the Opposition, and the budget was passed by the comfortable majority of 135 to 52, after Conservative and C.C.F. amendments had been easily

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defeated. The speech from the throne at the prorogation held out hopes of a comprehensive enlargement of the existing trade treaty with the United States, but the suspicion now prevails at Ottawa that the Roosevelt Administration, being anxious to avoid the alienation of farming, fishing, and other interests by the tariff concessions that Canada is seeking, will spin out the negotiations until the congressional elections are surmounted in November.

Ministers regard as their outstanding legislative achievement of the session the passage of a series of measures authorising a long-range, nation-wide programme of development and conservation, designed to alleviate unemployment and enlarge the national income. It includes a scheme to promote the building of low-cost urban and rural houses, under which the federal Government may assume for three years the payment of a substantial proportion of municipal property taxes on new houses erected before the end of 1940, and loans may be made at low interest rates to municipalities for the furtherance of projects of a self-liquidating character. A wide variety of special public works has also been sanctioned, and altogether there is contemplated an expenditure of some \$200 million for "pump-priming" purposes. The Government also secured a Bill authorising it to buy out the private shareholders of the Bank of Canada at \$59.20 for each \$50 share, and thus to complete the nationalisation of the central banks. Cynics suggested that the real motive for this move, for which there was no obvious public demand, was a desire to help the Liberal Ministry of Saskatchewan to repel the invasion of Mr. Aberhart by denying his allegation that the monetary policy of Canada was controlled by selfish financial interests. Another Bill replaced the present Board of Railway Commissioners by a new Transport Board, which is armed with authority over aerial and water transportation as well as the railways; its original provisions, however, were substantially amended by the Senate. A new federal elections Act was also passed, but

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the Government jettisoned its ambitious Bill for preventing corruption and extravagant expenditure at elections. There was also the usual crop of minor amending measures, designed to improve the criminal code and other statutes; but a Bill broadening the grounds for divorce in Canada, after being passed by the Senate by a narrow majority, was killed in the Commons under the influence of the Government, which feared to offend its Catholic followers.

The Government encountered no serious repetition of the hostility shown last year by a body of its own supporters to its rearmament programme, and some of the former Liberal critics intimated that they had recanted their earlier opinions in view of the gravity of the international situation. In the closing days of the session, however, there was a sharp clash between Mr. Bennett and Mr. Mackenzie King, when the former accused the Government of refusing permission to the British Government to establish in Canada an aviation training school for the Royal Air Force. Mr. Mackenzie King replied that a fundamental principle of Dominion autonomy would be infringed if Canada did not control all military establishments within her own bounds, but Mr. Bennett argued that the denial of the British request, which he said had been made through informal conversations, was a negation of the free co-operation of partner States in the Commonwealth, which had been expressed by the Imperial Conferences of 1926 and 1930. Press comments having revealed that public opinion in English-speaking Canada was critical of the Government's attitude, Mr. Mackenzie King announced a few days after the session ended that they proposed to enlarge their own aviation schools for the purpose of training recruits for the Royal Air Force, but under the aegis of the Canadian Department of National Defence.

Such parliamentary discussions as took place on foreign policy were too brief to enlighten public opinion, but they showed that the Liberal Ministry, while rejecting complete isolationism, resolutely refused to have Canada bound

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by any commitments involving peace or war, and was determined to let Parliament decide upon each issue as it arose. The Conservatives were cautiously critical of this attitude, on the ground that it showed a deplorable lukewarmness towards the general interests of the Commonwealth, whereas spokesmen of the C.C.F. sensed a dangerous subservience to British policy and demanded a clarification of Canada's position before any real crisis emerged.

Throughout the session, Ministers were harried by the Opposition groups about the unemployment situation, which has been aggravated by the business recession. They came very badly out of a debate upon the situation in Vancouver, where a body of several hundred young unemployed had taken possession of the post office and an art gallery and had been ejected by the police with the aid of tear gas. There is widespread local sympathy in Vancouver with the plight of these young men, who cannot get work and yet, if they are single, are denied public relief; and the Government is considered to have made a serious mistake in closing down the special unemployment camps for single workless men, which its predecessor had established. Mr. Mackenzie King's Government has also been in a serious quandary over the notorious "padlock" law, passed by the provincial legislature of Quebec, under which there have been a series of violations of fundamental civil rights concerning freedom of speech and liberty of the press. Strong pressure has been exerted upon the Government from various quarters to use the federal power of disallowance, but despite warnings from Liberal papers that a refusal to take this action would betray a basic principle of Liberalism, it has decided not to interfere with the Quebec legislation.

The curtailment of the earnings of the two railway systems, as a result of the business recession, has brought the railway problem again into the forefront of public discussion, and has caused a revival of the campaign of the Canadian Pacific Railway for the unification of the two

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systems. At the instance of some politicians friendly to this project, the Senate appointed a special committee of twenty members to investigate and report upon the railway situation, and particularly upon the failure of the two companies to show any substantial results from their efforts to achieve co-operative economies through pooling of services, under the plan recommended by the Duff Commission on transportation, which investigated the railway problem seven years ago. The public sessions of the Senate committee lasted more than seven weeks and attracted large audiences. On behalf of the Canadian Pacific, its president, Sir Edward Beatty, propounded a plan for unification almost identical with the scheme which the Duff Commission had examined and rejected as impracticable. Under this plan, the two systems would be placed for operating purposes under a common management, but each would retain its own properties without any alteration in the existing capital structures, and there would be an equitable division of the joint earnings. Sir Edward estimated that in a normal traffic year savings of \$75 million could thus be made in the national transportation bill—admitting, however, that the economies would accrue partly from the abandonment of about 5,000 miles of unprofitable lines. He maintained that the Canadian Pacific could easily survive as an independent system, but that it was prepared, in the national interest, to co-operate in a scheme of unification for the purpose of relieving the heavy annual drain of the C.N.R. deficit upon the federal treasury.

The officials of the Canadian National system took sharp issue both with his arguments and with his figures; they maintained that his plan lacked the merits either of private or of public ownership, that his estimate of annual savings of \$75 million was too high, that the elimination of 5,000 miles of railways would seriously retard the economic development of Canada, and that the resulting discharge of railway employees would increase unemployment. Most

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of the benefits promised from unification, they argued, could be secured by wholehearted co-operation in pooling services, which they claimed had not been forthcoming from the C.P.R. The committee produced only a brief interim report, recommending that it be reconstituted next session to continue the enquiry, and that the railways should show more zeal in working out co-operative economies and reducing expenditure.

II. THE CONSERVATIVE CONVENTION

ALTHOUGH there are signs of an erosion of its popular support, the Liberal party is still in the ascendancy in federal and provincial politics. Its historic rival, the Conservative party, made a resolute effort to reinvigorate itself at a national party convention held in Ottawa on July 5, 6 and 7, and attended by about 1,600 delegates. The proceedings of the convention were reasonably harmonious, although there were some sharp conflicts in the committees that drafted the resolutions. Its main fruits were the selection of a new leader in Dr. Robert J. Manion, M.C., a change in the name of the party from "Liberal-Conservative" to "National-Conservative", and the evolution of a new programme.

Dr. Manion, who is in his fifty-seventh year, is a native-born Canadian of Irish lineage, a Roman Catholic in religion and a doctor of medicine by profession. After serving in the war as a medical officer and winning the Military Cross, he resigned from the Liberal Party, of which he was a nominated candidate, on the conscription issue, and was elected as a Liberal-Unionist supporter of the Borden Ministry at the general election of 1917. Subsequently he threw in his lot with the Conservative party. After being admitted to the Meighen Cabinet in 1921, he served in all later Conservative Administrations, his last post being that of Minister of Railways. If even his warmest admirers would not rank him intellectually with

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Senator Meighen or Mr. Bennett, he has attractive qualities, of which not the least valuable is a genial manner calculated to win popularity for him with the public, and he is now an experienced and competent parliamentarian who can hold his own with anybody in debate. He is highly esteemed in his profession, and has written two readable books of war-time and political reminiscences. Moreover, he has two very useful assets for a successful appeal to French-Canada—a French-Canadian wife and a reasonably fluent command of the French language.

It would be idle to deny, however, that there is in the Conservative party, particularly in Ontario, a hard core of Protestant sentiment, which takes unkindly to the idea of a Catholic leader who owes his election mainly to the solid support of some 300 French-Canadian delegates. If the Roman Catholics, whose vote in recent elections has been predominantly Liberal, are attracted in large numbers by a co-religionist into the Conservative camp, there may be a double shift of voters' allegiance on a considerable scale at the next election. Dr. Manion has not been in Parliament since he lost his seat in 1935, but there is immediately available for him a safe Conservative seat in London, Ontario.

The new Conservative programme, which Dr. Manion will have to expound to the country, does not break much new ground, but it contains some evidence that the influence of the progressive wing of the party has prevailed. In the opening days of the convention Mr. Bennett and Senator Meighen gave the delegates a very definite and spirited lead in the direction of imperial co-operation, and as a result the resolution adopted about Canada's relations with the rest of the British Commonwealth reaffirmed the convention's faith in the Crown, in democratic institutions and in the British Commonwealth of Nations as "a mighty influence for world peace", stressed the necessity of maintaining unimpaired the ties now holding the Commonwealth together, and expressed the belief that the defence of

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Canada and the preservation of her liberties could best be promoted by co-operation and consultation between all the members of the Commonwealth. This resolution was too imperialist to suit the contingent from Quebec, but their determined attempt to insert a rider to the effect that troops should not be moved out of Canadian territory without a popular mandate through a referendum was easily defeated.

Another resolution re-stated the party's faith in a policy of tariff protection, primarily for the purpose of "fostering and sustaining Canadian labour and Canadian industries", but it sought to placate the low-tariff element in the party by a proposal that the tariff schedules should be investigated by a non-political tariff commission, and that disclosed abuses of the tariff should be punished by an elimination or reduction of duties. There was also recorded a strong commendation of the Ottawa agreements as one of the sheet anchors of Canadian prosperity. While trade agreements with foreign countries were not frowned upon, it was urged that their terms should not be allowed to impair the benefits derived by Canada from the Ottawa agreements. The convention explicitly decided against the amalgamation of the two railway systems, and endorsed a policy of promoting co-operative economies between them. The delegates, however, evaded the issue of constitutional reform on the plea that it would be unwise to make any declaration about it until the Rowell Commission on dominion-provincial relations had reported. The convention went on record as favouring "the maintenance of public credit by adherence to a sane monetary policy", with the Bank of Canada functioning as an instrument for the control of currency and credit. But this resolution did not pass before Mr. Herridge, formerly Canadian Minister at Washington, who sought to convert the party to a radical plan of economic and monetary reform, had protested bitterly that the resolutions of the programme betrayed and insulted the intelligence of the Canadian people and represented the triumph of reactionary influences.

POLITICS ON THE PRAIRIES

The party is now pledged, among other things, to give special encouragement to agriculture, to promote the immigration of selected families from Great Britain, to exclude all Oriental immigrants, to support a plan of national unemployment and retirement insurance, to administer relief on non-political lines while mitigating unemployment by projects for the development of natural resources, to maintain the right of free association for both employers and employees, to give state aid for the training of young people for gainful occupations, and firmly to oppose fascism, communism, and any other formulae aiming at the regimentation of the nation's life.

With a new leader and a new programme the Conservative party can be relied upon to adopt henceforth more aggressive tactics in preparation for a general election. The Liberal party professes to derive some comfort from the recent return, although not with a popular majority, of the Liberal Ministry in Saskatchewan, but it has observed ominous clouds upon the horizon in the two largest provinces; for it has lost control of Quebec, and Mr. Mitchell Hepburn, the Liberal Premier of Ontario, has disavowed all allegiance to Mr. Mackenzie King. Although there is still an absence of any sharp dividing issues between the two major parties, the Conservative party, despite the failure of its elder statesmen to commit it to an ultra-imperialist policy, is now pledged more firmly than any other to wholehearted imperial co-operation. And a clear-cut cleavage on domestic issues may soon be provided by the report of the Rowell Commission, which, despite the retirement of Mr. Justice Rinfret and the serious illness of its chairman, Chief Justice Rowell, should be forthcoming before the end of this year.

III. POLITICS ON THE PRAIRIES

THE issue in the Saskatchewan election, broadly stated, was the record of the Liberal Government on the one hand, and on the other the promises of the more radical

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parties, by far the most alluring of which emanated from the neighbouring province of Alberta, while others came from the C.C.F., the nearest approach to a Canadian socialist party. In this struggle the Conservatives seemed to find difficulty within their traditional concepts in discovering an issue that had any appeal. If unorthodox economic doctrines flourish under depressed economic circumstances, then Saskatchewan of all provinces in Canada should have proved fertile soil for the Social Credit propaganda. An unprecedented succession of crop failures, accompanied by low prices, had reduced the province to destitution; it was estimated that over half the population were in some form receiving relief.

The seriousness of the Social Credit threat is illustrated by the policy of the press. In Saskatchewan the Government was fortunate in having the most influential newspapers solidly behind it. The *Regina Leader Post*, for example, devoted almost all its editorial energies to attacking Social Credit rather than the platforms of the other parties. It and other newspapers stressed not only the monetary fallacy inherent in Social Credit, but also, and with more effect, the danger of political control of Saskatchewan from the Alberta capital. Effective political capital was made of the fact that the Saskatchewan Social Crediters had no leader other than Mr. Aberhart, the Premier of Alberta, and that the Social Credit nominations were made by an "Advisory Council" in Edmonton. When these were announced on May 31 by Mr. E. C. Manning, the first lieutenant of Mr. Aberhart, some of the candidates selected by Social Credit conventions in Saskatchewan were found to have been omitted, and this was a cause of grave dissatisfaction. While Social Credit forces asked for support on the basis of their record in Alberta, the Liberals willingly accepted the challenge, and not only attacked that record but also made a real issue of provincial autonomy. Familiar as Canadians are with outside assistance in provincial campaigns, the abdication of political

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control as illustrated by the method of selecting Social Credit candidates was too great an innovation for the Saskatchewan electorate.

The most telling stroke of strategy on the part of Social Credit was the publication, on the very eve of the election, of a letter from Mr. Aberhart to Mr. Mackenzie King, the Prime Minister of Canada. In sharp contrast to the previous communications between the two, the letter was couched in most conciliatory terms and pleaded on the broad ground of public interest for an opportunity to let Social Credit prove itself. Such a plea for fair play, however, while it undoubtedly won support among the electors, was more than offset by the high-handed fashion in which the candidates had been selected.

The outcome was particularly difficult to predict because of the large number of candidates who entered the lists. For 50 seats (two elections in the remote northern districts were deferred) there were 157 candidates. The predominance of small salesmen among the Social Credit candidates was an interesting phenomenon in a province predominantly agricultural.

During the campaign Social Credit hopes ran high. Their meetings were better attended than those of any other party. Wherever Mr. Aberhart spoke new records for attendance at political meetings were established. In Saskatoon, for example, where fifteen years ago at the height of the enthusiasm for the wheat pool project some 3,500 people assembled to hear an imported speaker on that topic, Mr. Aberhart packed a new hall accommodating 5,000 people, while an overflow audience, estimated in the press at an additional 3,500, was reached by loud speaker. To all the other parties the success of these meetings was a matter of concern, not only in Saskatchewan but throughout the country and especially in Ottawa.

Election day, however, dashed the hopes of Social Credit to the ground. Only two of their members were returned against 36 Liberals, 10 C.C.F. and 2 others. The

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Conservatives failed to carry a single seat. While this result represented a loss of 14 seats for the Government, three of these could be accounted for by a recent redistribution and two others by deferred elections. The Government still has a very comfortable majority. The C.C.F. gained 5 seats, giving them 10 in the new House, and they continue as the official Opposition.

The popular vote probably gives a more accurate picture of the political complexion of Saskatchewan than does the number of seats won. The following table shows the votes cast at this election and at the last election in 1934.

	1938		1934	
	Votes	%	Votes	%
Liberals	188,256	45.3	206,191	49
Conservatives	51,764	12	114,973	27
C.C.F.	75,753	18.2	103,582	24
Social Credit	65,292	15.7		
Others	34,344	8.4		

The 65,000 Social Credit votes, despite the much larger number of candidates, represent but a very slight gain over the 60,000 votes polled by that party in Saskatchewan at the last federal election in 1935. Contrary to expectations, Social Credit failed to increase its strength along the Alberta boundary, and did not gain a foothold in the cities. Many of the candidates lost their deposits. The average vote per Liberal candidate was 3,738, and the average per Social Credit candidate only 1,605.

The Government's greatest losses came in the north-eastern part of the province, although that particular section has suffered less from crop failures than most others. In a block of 11 seats in this north-east corner the Liberals retained only 1 seat, which was held by a Cabinet Minister. While it withstood the onslaught of Social Credit in the most distressed areas of the province, it lost heavily to the C.C.F. in this favoured region. An explanation advanced is that this area, reduced during the previous year for the first time to a relief standard of living owing to a

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poor crop, had a feeling of grievance against the Government for two reasons: first, because it felt that it had not received as much relief as some other distressed areas, and, secondly, because it was far from enjoying the relief standards of living that it was compelled now to maintain.

The position of the various parties following the election is reasonably clear. The Conservative party, having for the second time in succession failed to obtain a single seat, has ceased to be an immediate factor in Saskatchewan politics. For Social Credit, the election marks the most serious reverse it has received, and Social Credit is clearly not going to sweep the prairies, for the moment at any rate. The results cannot be other than encouraging to the C.C.F., which has suffered an unexpected number of reverses elsewhere in the country. For the Liberals, the victory was not without a price in the form of promises, the implementing of which will be no small embarrassment to an already harassed federal Minister of Finance. Assurances of highway expenditure, continued relief, support of the price of wheat, and subsidised housing made in the stress of an election will be both difficult and expensive to carry out in the face of the present slackening of Canadian economic activity.

An amusing incident of the election has been the attempt of the Canadian bankers to meet at long last some of the unwarranted, as well as warranted, criticism of financial institutions. To those familiar with the austere and almost contemptuous silence with which Canadian bankers have been accustomed to treat all outbursts against them, it is a matter of interest to find them breaking a lance with their critics. An advertisement over the name of the chartered banks of Canada in the Regina *Leader Post* was headed "Don't Over-rate your Banker; He Cannot Perform Miracles". Westerners are reminded of the plea of the frontier saloon-keeper to his customers: "Don't shoot the pianist; he's doing his best".

The election is not, of course, without repercussions

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on the neighbouring prairie provinces. In Manitoba it might seem a favourable moment for the present Government, which continues only with the support of five Social Credit members, to call an election in the hope of obtaining a clear majority. On the other hand, it seems unlikely that these sitting Social Credit members will embarrass the Administration when the alternative for them is an election with the possibility of no better result than that obtained in Saskatchewan. With a good crop last year and the prospect of almost as good a crop this year, Manitoba does not offer a promising field for the expansion of unorthodox economic doctrine.

The economic basis of the political situation in Alberta forms a contrast to that existing in the other two provinces. Two significant economic developments in Alberta have eased the task of Mr. Aberhart's Government. Alberta is now less dependent upon agriculture than either of the other prairie provinces. It appears that after a long, and at times discouraging, period of exploration the essential geological structure of the Turner Valley oilfield is becoming known, and new wells are substantially increasing the production to a point where vigorous restriction schemes are deemed necessary. This development not only increases the income of the people but also helps the provincial treasury through higher royalty receipts. The second development is the expansion of mining in northern Alberta and in the tributary regions in the North-West Territories on Lake Athabasca and Great Slave Lake. The decision of the Hudson's Bay Company to invest from their own funds one million dollars in a new and thoroughly modern store in the city of Edmonton is a tribute to the prospects of the province. So long, however, as legislation unfavourable to creditors remains, there will be no large movement of borrowed capital into the province.

Mr. Aberhart's attempt to implement his own peculiar economic policies has been met at every turn by the limitations of the British North America Act. At the moment,

his legislation is strewn through the courts from Edmonton to Ottawa and even to London. Some of the enactments have been withheld from royal assent by the Lieutenant Governor of the province, others have been disallowed by the federal Government, and still others have been declared unconstitutional by the courts.* The apparent satisfaction of the people of Alberta with Mr. Aberhart's Government, since he has been unable to put Social Credit into practice, can rest only upon his legislation favouring the debtor class. The result of the Saskatchewan election, combined with the relative prosperity of Alberta, may make Mr. Aberhart more amenable to the ideas of orthodox finance, especially if the economic situation of Alberta improves to the point where he can politically afford to negotiate with the creditor interests.

The grave fiscal difficulties of the three western provinces during the depression have been surmounted only by means of large federal loans to the provincial treasuries. Pending the report of the Rowell Commission on dominion-provincial relations, which it is hoped will offer a permanent solution of provincial fiscal troubles, increased interim subsidies have been granted to the provinces. In default of a permanent solution we can expect the recurrence of such disconcerting phenomena as the Social Credit movement.

Canada,

July 1938.

* On July 14 the Judicial Committee of the Privy Council upheld the judgment of the Canadian Supreme Court, disallowing the Bank Taxation Bill, one of Mr. Aberhart's key measures.—*Editor*.

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I. THE ECONOMIC OUTLOOK

IN a world of economic and political disturbances, Australian economic activity continues at a remarkably high level. The year 1936-37 was one of rapidly expanding investment and high export prices. Since March 1937, however, export prices have fallen. On the base of 100 for 1928, average export prices in 1936-37 were 91.6. They had fallen to 82 for 1937-38 and were about 72 at the opening of the next export season 1938-39. That is a very rapid and substantial decline, which has inevitably caused a heavy reduction in income to export producers, except the gold-mines. It is a matter of some speculation among business men and close observers of economic trends in Australia why, in these circumstances, the internal economic situation has not deteriorated in conformity with the trend in other countries.

That it has not deteriorated is shown by the continued decline in unemployment; * by the high level of imports, which exceeded £102 million (sterling) for the eleven months July-May last; by the buoyancy of government revenues; by the increase in sales at the great retail establishments; by the record output of iron and steel, and by the new high levels reached by company profits. All this suggests that the fall in export prices has not yet seriously affected the Australian economy. It merely tended to check expansion at a time when the continued

* In March last the official trade union percentage of unemployment was 8.0 per cent. compared with 9.9 per cent. a year earlier and 13.4 per cent. in March 1936. This is not altogether a satisfactory measure, but the trend of the more reliable measures of employment in Queensland and New South Wales confirms the evidence of the trade union returns.

stimulus of high export prices may have brought about boom conditions.

This could not have been so twenty years ago, and the present situation may serve to illustrate certain changes that have taken place in the Australian economy in recent years. The depression imposed a severe deflation of costs; it gave Australia the economic purge dear to the hearts of those economists who believe that only a purge can correct the errors inherent in unhealthy expansion. Be that as it may, the heavy reductions in costs, combined with depreciation of the currency, presented Australian secondary industry with a great opportunity to compete with imports.

There is ample evidence that it has taken full advantage of this opportunity. An investigation into the development of Australian manufactures showed that by 1935-36 the net expansion was sufficient to offset the loss to the Australian economy of £30 million (sterling) per annum of overseas borrowing before the depression. In 1928-29 the numbers employed in Australian factories had reached a record figure of 450,000. There was then a heavy fall, but by 1934-35 the pre-depression position had been regained. Now there are approximately 530,000 employees, despite the great developments in mechanisation. In his last report on Australian economic conditions (November 1937) Sir Robert Dalton, H.M. Senior Trade Commissioner in Australia, remarked that "the most successful competitor for business in manufactures on the home market is now Australia herself". Sir Robert showed that for a selected group of goods Australian production in 1935-36 amounted to £A157 million, while imports totalled only £A7 million against £A18 million in 1928-29.

The first important change to have taken place in the Australian economy is thus a substantial expansion of secondary production. The relative importance of imports to national income has fallen. This is in some ways an expression of economic nationalism, but it is on the whole a healthy expression, because the expansion of secondary

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production is based upon reduced costs, greater efficiency of management and improved mechanisation. It is, moreover, an essential condition of economic balance in Australia. The volume of exports has remained at about the level of 1931-32. If that year be taken as 100, the volume (as distinct from the value) of export production in 1927-28 was 74.6. From this level it rose to a new "normal" position in 1931-32, and it has been fluctuating around that level since. Either we are experiencing greater difficulties in gaining entry to markets abroad, or there are some natural or other obstacles to the continued expansion of export production. In these circumstances our income from exports is largely dependent upon export prices, and our imports must be adjusted in the long run to fundamental changes in the export position. We can do this only by the development of our own secondary industry, and the lower the long-term level of export prices the greater is the need for this development.

Next there is a fundamental change in the Australian economy in respect of its almost complete reliance upon local borrowing for government and public works, and the substantial reduction made in the overseas interest burden. True, Australia recently borrowed £7 million in London, of which £2 million was for defence and £5 million was required to fund treasury bills and strengthen reserves of London funds held by the central bank. But the economy of the country is no longer exposed to the disturbing influences of alternate periods of heavy public borrowing abroad and enforced abstinence. Australia cannot be caught short now, as she was in 1928-29, with heavy commitments for loan expenditure in Australia—called "arrears of borrowing" in those halcyon days—and with the London market unfavourable for the raising of long-term loans to finance those commitments. Moreover, the interest bill in London has been reduced by more than £8 million (sterling), and now stands at approximately £22 million (sterling) for the public debt.

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There has indeed been a considerable inflow of private funds for the development of Australian industry, notably manufacturing and mining. Moreover, short-term capital movements may still have a disturbing influence on the Australian balance of payments. This is shown by the fluctuations in the London funds of the banking system in recent years. From a low point of £35.5 million in June 1931, they were built up to £68 million in June 1934. They fell again to £43.9 million a year later, and were still only £46.4 million in June 1936. A year later they had risen to a post-depression peak of £71 million. These movements cannot be all accounted for by changes in the balance of trade or in long-term investment. Short-term capital movements perhaps have a greater influence in the Australian economy now than before the depression.

Finally, Australia has maintained a very high level of internal investment—factory expansion, house construction, public works, local government development. The growth of secondary industry would not have been possible without this investment; and though some public loan expenditure is inevitably uneconomic, much of it is needed to provide accessory services for the development of industry. We have no direct measure of investment, but for building the average monthly value of permits for the six capital cities is running at about £2.2 million compared with £2.0 million in 1936-37. Thus total public investment is being maintained. In 1937-38 state public works are estimated to cost £21 million and capital expenditure of local authorities £9.1 million. For 1938-39 the forecast approved by the Loan Council at its meeting in April is £19 million for state public works and £10.4 million for local authorities, a total of £29.4 million compared with £30.1 million in 1937-38. When defence borrowing is added the total will be higher in 1938-39 than in 1937-38. With a high level of private and public investment, it is not surprising that economic activity is well maintained in spite of lower export prices and recession abroad.

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Government revenues reflect the favourable conditions. The Commonwealth anticipated a modest budget surplus of £30,000 for 1937-38. It will realise a surplus of about £3,500,000. Two of the states, Queensland and Western Australia, forecast deficits totalling £459,000 while the other four showed small surpluses in their budgets. These surpluses will be larger than was anticipated, and the deficits of Queensland and Western Australia smaller. For all the Governments together, the net surplus will be of the order of £3,500,000.

So much by way of explanation and illustration of our continued good fortune. Will it persist in spite of an unfavourable world economic situation and our own loss of income from the fall in export prices? Exports of merchandise, which amounted to £117.3 million (sterling) in 1936-37, will be approximately £112 million in 1937-38. With the fall in export prices and a less favourable season in prospect, a further fall in the value of exports is inevitable. Imports are still at a high level, totalling approximately £112 million (sterling) in 1937-38, and there will certainly be no surplus on the trade balance in 1938-39 unless export prices rise. Fortunately, exports of gold have been expanding, and the annual production is now worth more than £10 million (sterling). But this is not sufficient to meet the net payments on account of interest and services abroad, and an adverse balance of payments in 1938-39 may thus be anticipated.

Australia is quite accustomed to meeting a situation of this kind. The London funds of the banking system at July 1, 1937 are estimated to have totalled £71 million. That is not as high as the combined London funds and gold reserves in good years before the depression, when they amounted to £90 million or £100 million. But there is less need for a very high reserve now, because the Australian economy is not so much affected by sudden stoppages of foreign investment, because the annual payment of interest is less now, and because the proportion of export production

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to national income is lower. So we may assume that London funds at about £70 million put Australia in a fairly strong position to meet any likely drain on her external reserves.

Any drain on London funds is also a drain on the cash reserves of the banking system and on bank deposits. There is a well-established connection between the condition of the money market in Australia and the state of the balance of payments. Thanks to the high export prices and the favourable balance of payments in 1936-37, the banking position improved, and there was a decline in the rate of interest on government bonds. This movement was reversed in recent months. The ratio of cash to deposits in the banking system is falling, and the average rate of interest on government bonds in June was over £3 15s. per cent. compared with £3 11s. per cent. early in the year. This moderate tightening of monetary conditions has been accompanied by a decline in prices on the stock exchange, the prices of ordinary shares having fallen nearly 15 per cent. since the middle of 1937. The fall is moderate compared with those on the New York and even on the London stock exchanges. If it be true that the stock exchange accurately gauges the future trend of economic conditions, the moderation of the decline in security prices in Australia may be a good omen. That we are to have some recession in 1938-39 is generally agreed. The question is how great a recession it will be.

Much will depend upon the immediate future of export prices, and upon the attitude of the Australian Government and the central bank to the problems they have to handle. There will be increased demands upon the Commonwealth Government for defence expenditure, and the state Governments as a whole seem determined to maintain the present level of loan expenditure by government and local authorities. This will impose some strain on the money market in its present condition. There is in addition a domestic loan of £72 million to be converted in December.

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The borrowing programme and the conversion operations will give the central bank an opportunity to indulge in a modest programme of monetary expansion, designed not only to support the financial needs of the governments but also to ease the money market. The limiting influence operating on such a policy of expansion is the state of London funds. Provided our international currency reserves are maintained at a level that is not damaging to our credit abroad, the central bank can keep the money market reasonably liquid, and make a useful contribution to the maintenance of investment, both public and private. The amount of London funds thus becomes the central factor in the problem.

It is for this reason that so much depends upon the future of export prices and seasonal conditions. Fortunately good rains at the end of May and in June, though not relieving all areas threatened with drought, have greatly improved seasonal prospects at a critical time, and the volume of exports is not now expected to fall greatly below the volume for 1937-38. As for export prices, a moderate rise of 10 per cent. on the average would be required to reduce the deficit on the balance of payments to an amount ranging from £5 million to £10 million (sterling). This amount would still leave London funds in the region of £60 million at the end of the financial year 1938-39.

The immediate economic policy necessary for Australia is a co-ordinated effort to check the forces of recession, and to limit the loss of income to the amount caused directly by the fall in export prices. But it is not easy to secure general agreement upon the measures to be taken, or to gain for a policy of deliberate control the respect and support of private industry. The United States has shown very clearly that a policy of economic expansion cannot be successful without the co-operation of business, while Australia's own economic recovery bears eloquent testimony to the value of such co-operation. There is one important element in the Australian situation that

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should promote co-operation at present, namely, the increase in defence expenditure. It is in the early stages of an enlarged defence programme that the main stimulus to investment occurs. In this respect the Australian defence programme has been well-timed, though it may be argued that the international situation demanded earlier action.

Defence expenditure, however, cannot provide the whole stimulus required to keep private investment at its present satisfactory level. There are indications that costs have risen considerably in the past three years, and the combination of high costs and a tightening of the money market has in the past usually caused a decline in investment. An investigation into housing costs in Sydney shows that building costs fell by 20 per cent. between 1928 and 1934, but that by the end of 1937 they had risen to within 5 per cent. of the 1928 level. The increase in the Commonwealth basic wage in June last year raised real wages above the pre-depression level; the award was based on the view that export prices were likely to be maintained close to their satisfactory position in the early part of 1937, when they approached pre-depression levels in Australian currency. State basic wages have risen in accordance with the Commonwealth wage, and the whole structure of wages has thus advanced.

The tendency to increase prices by reason of increased costs was demonstrated by the decision of the dairy industry in June to raise the domestic price of butter under the so-called equalisation plan from 149s. 4d per cwt to 158s. 8d per cwt. The f.o.b. price at the time was approximately 136s. per cwt and the decision means that Australian consumers will pay an additional £800,000 per annum for butter. The higher price of butter will naturally add to the cost of living, and under our system of regulating wages it will raise the basic wage, and so increase industrial costs. It is well to bear these facts in mind when considering the efficacy of any policy of economic control, the success of which depends upon the attitude of private

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enterprise as well as the operations of the Government or the central bank.

II. NATIONAL INSURANCE

IF the new defence programme will assist in stemming the tide of recession in business, it is doubtful whether other aspects of Government policy are so well-timed. In particular, the Commonwealth Government is faced with heavy commitments for national insurance and is pledged to introduce new legislation implementing the recommendations of the Royal Commission on banking. The national insurance scheme has been embodied in legislation now passed by the Commonwealth Parliament. The Government encountered serious opposition from members of its own parties in the House, and on more than one occasion it was feared that the critics would join the Opposition and defeat vital provisions of the Bill. Though the country had been prepared for national insurance by the report of Sir Walter Kinnear last year, there was much division of opinion concerning the scope of the first instalment of the scheme and the payments and benefits that should be embodied.

The Government decided to omit unemployment insurance at this stage, and to deal only with health and pensions. The decision was the subject of much criticism, especially by the Labour party, and it seriously damaged the Government's claim that the scheme was one of national insurance. There were difficulties in reconciling state and federal interests in unemployment insurance, and the Government doubtless felt that its financial commitments for defence and the health and pensions scheme were a sufficient burden for the moment.

In the words of the Treasurer, the National Health and Pensions Insurance Bill embodied "one of the most far reaching schemes of social reform that has been presented to the federal Parliament. It brings directly within its

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scope over 1,850,000 persons, and affects, including wives and children, a total of no less than 3,600,000 persons, or about 52 per cent. of the people in Australia". The scheme applies to all persons over 14 years of age employed "under contract of service in Australia", except persons employed in non-manual occupations and receiving a salary exceeding £365 per annum. The weekly contribution at the beginning of the scheme is to be 3s. for a man and 2s. for a woman, and half the contribution is to be paid by the employers and half by the employed. For persons between 14 and 16 years of age the contribution is only 4d a week for each party, but the benefits are limited to free medical attention and medicines. The weekly contribution for men will be raised by 6d after the scheme has been in operation for 5 years, and by a further 6d after 10 years. The women's contributions will be raised by 6d a week after 5 years. In each case one half of the extra contribution is to be paid by the employer.

On the health side, the scheme provides medical, sickness, and disablement benefit, while on the pensions side it provides old-age and widows' and orphans' pensions and dependent children's allowances. The pensions will be £1 per week to men at the age of 65, and 15s. to women at the age of 60. Already the Commonwealth has an old-age and invalid pensions scheme in operation. The cost of this has risen from £10.8 million in 1929-30 to £15.8 million in 1937-38. The cost would have gone on rising because of the changing age-composition of the population. The expectation of life is increasing, and with the decline in the birth-rate the proportion of older people in the population has also risen. The provision for pensions on the present scale would impose a steadily increasing burden upon the taxpayer, and no doubt the Government has commenced with the health and pensions instalment of national insurance partly with the object of dealing with this problem.

It would, however, be a mistake to assume that there

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will be any relief to the Commonwealth budget in the immediate future. The benefits commence at periods varying from 26 to 102 weeks after the initiation of the scheme, and the majority of initial participants will ultimately receive more in benefit than they contribute. The average age of insured persons at the start of the scheme will be 32, and the actuarial value of a man's prospective benefits at the age of 32 is over 7s. per week. The total contribution that the Government will receive in the early years of the scheme will be 3s. per week. Thus it will be required to pay out more than can be brought into the fund through the contributions. The Treasurer estimates that an annual grant of £900,000 per annum for 30 years will be required to finance the deficit in the scheme on account of health insurance benefits. As regards pensions, the Government will pay to the pensions fund £1,000,000 a year for the first 5 years, and the grant will thereafter increase at the rate of £500,000 a year until it reaches £10 million in 1961. The scheme thus imposes on the budget an additional expenditure of £1,900,000 in the first year. This, together with the increasing costs for defence, will create a more difficult budget problem than the Commonwealth has faced since the depression.

In the early years of the scheme the payments by employers and employed will amount to about £5,700,000 and will rise to £8,000,000 by 1944. This will not be a net addition to contributions made towards provision for insurance. Allowance must be made for sums already contributed to superannuation schemes and to friendly societies. Nevertheless, the additional payments will necessarily be heavy. The funds may be invested in existing securities of the Commonwealth or the United Kingdom, but not in new securities. It was thought that this would ensure the independence of the insurance fund from the financial policy of Governments. This arrangement will involve the regular use, for a time, of some of the national savings to purchase old securities, but it will enable the Government

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to attract to new loans some savings that are now devoted to the purchase of existing securities on the market. Provided the result is to devote to investment a sum equivalent to the net amount of new savings, there will be no reduction in spending power.

The Leader of the Opposition criticised the scheme on several grounds. First, the Labour party preferred a non-contributory scheme.

Sickness (he said), other than occupational diseases, appears to me to be a social rather than an industrial contingency; and the same principle is valid in respect to superannuation or pensions for the aged. Social obligations should be community obligations; they should not be met by systems of sectional taxation.

Mr. Curtin would impose contributions upon industry, and not upon employees, but would finance the scheme in considerable measure from taxation. Next, there was the objection that the scheme discriminated unfairly against women in that all health benefits and pensions are on a lower scale for women than for men. Further, the omission of wives and children from medical benefits was regarded as a grave defect in the scheme. Finally, there was the objection that the scheme entered into the field of social services provided by friendly societies, and would "discourage young men and women from joining these associations of self-help".

The Opposition was not alone in pressing some of these objections. Members of the Government parties were disturbed by the omission of wives and children and by the position of the friendly societies. Later in the discussion the rejection by the doctors of the proposed annual remuneration of 11s. per insured person created further political confusion. The Government gave way on the benefits to wives and children to the extent of arranging for voluntary insurance against these risks, and it further gave women contributors the option of contributing at a higher rate and thus receiving benefits on the same scale

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as men. As regards the doctors the Government found it necessary to appoint a Royal Commission to report upon the rate of remuneration, and this commission will also consider the financial aspects of the other concessions that were made.

There were further difficulties concerning the position of the friendly societies, which feared that the inclusion of insurance companies as approved societies under the Act would adversely affect them. In committee the Government was defeated on a motion by one of its own supporters to exclude insurance companies as approved societies. This decision was upheld by a vote in the Senate. Section 185 of the Act prescribes that any wage-fixing authority, whether federal or state, shall "take into account the benefits provided by this Act in consideration of the contribution payable", and shall not vary wage rates by reason only of the payments. This opens up an interesting field for political exploitation in the future.

It was only by making concessions that the Government was able to force the Bill through the House of Representatives in time for it to be passed by the Senate before the end of June, when the newly-elected senators took their seats and the Government majority in the Senate was much reduced. The scheme is to be controlled by a commission of three members, who will be fully occupied until the end of the year in establishing the elaborate administrative organisation required. Contributions will commence on January 1, 1939.

III. EXPORTS OF IRON

THE Commonwealth Government found itself, in May, in the predicament of being committed to preventing the wharf labourers from stopping the export of scrap iron to Japan, while at the same time it had reasons for prohibiting the further export of iron ore to any country.

For several months waterside workers refused to load

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scrap iron, waste tin-plate, or tallow for Japan, on the ground that these might be used for equipping the Japanese forces in China. The Government had resolved that to take sides in this way was inexpedient, and no doubt it was fortified by protests from the Japanese Government against interference with supplies from Australia to Japan. It endeavoured to persuade the waterside workers to resume the loading of vessels, and, failing in this, it threatened to use powers under the Transport Workers Act. This Act was passed in 1928 to bring about a resumption of coastal trade after a long dispute between shipowners and wharf labourers, and it enables the Government, by a system of licences, to prevent recalcitrant workers from obtaining employment and to assure employment to men who will carry out the policy of the Government. The Government's threat to use this Act brought promises of widespread support for the waterside workers from other unions, and a general hold-up of trade and business seemed likely. At the last moment the executive of the Australian Council of Trade Unions advised the waterside workers to resume the loading of cargoes for Japan, which they did.

For some years past there has been a small export of iron ore from Australia, principally to Japan, and principally of ore of high manganese content from the Iron Knob and other quarries of the Broken Hill Proprietary Company near Whyalla in South Australia. The greatest annual amount was in 1935-36, when 437,000 tons were exported. This overseas market was convenient for the Australian ironmasters, since it enabled them to sell a grade of ore for which they themselves had an insufficient demand. The deposits from which the ores were won appeared to be of great extent, and no anxiety about supplies for the future could arise from the small quantity that was exported.

The other principal known source of iron ore in Australia is at Yampi Sound, near King Sound on the north-west coast of Western Australia, in latitude 16° S. and longitude 123½° E., in a part of Australia where there is no local

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industry and only a sparse pastoral population. No Australian or British interests having undertaken to work these deposits, the Nippon Mining Company arranged last year, through a British firm, to provide the capital for working them and exporting the ore to Japan. Before these arrangements were made, the Commonwealth Government consulted the British Government as to whether Yampi Sound should be kept as a reserve for Empire use. In the result, no objection was taken by the Commonwealth Government to the proposed arrangements. The quantity to be exported was expected to be from one to two million tons a year.

In April last, however, the Government received a report from its Geological Adviser on reserves of iron ores in Australia. He stated that there was now some ground for anxiety about the future supplies of iron ore. As mining went deeper at Iron Knob, the reserves were found to be less than had been expected, and the proportion of ore with a high content of manganese increased. The extent of the Yampi deposits, also, was less than had previously been estimated; there were no other large deposits in Australia of high-grade ore in situations allowing of cheap working; and the quantity used in Australia was increasing very rapidly.

The Government announced on May 19, that, having considered this report, it had resolved to prohibit all exports of iron ore after June 30. But it would consider claims for reimbursement of expenditure actually incurred in development of ore supplies for export.

A successful iron and steel industry has been built up: the yearly consumption of ore is about 1,300,000 tons, and it is claimed that steel is now made and sold in Australia at a price lower than in any country of the world. It had never been supposed that even a large increase in the consumption of ore could not be supplied for an indefinite future. The Government's decision, it is true, was announced as not final, and fuller investigations are to be made.

EXPORTS OF IRON

Whether, in view of the specific content of the Whyalla ores, total prohibition of their export was justified has not been made clear. But the Government obviously was not prepared to differentiate between the ores of South Australia and those of Western Australia, in which state the prohibition has created a grievance that would have been even greater if the "East" had been favoured when the West was debarred.

The announcement of the prohibition brought an immediate protest from the Japanese Government. The Japanese consul-general said it could only be inferred that "this drastic measure was aimed principally at Japan".

The Japanese Government was firmly convinced that it was justified in requesting the Commonwealth Government to reconsider its decision in the interests of the maintenance of friendly relations between the two countries, and also in the light of the significance of freedom of trade especially of free access to resources the necessity for which has not only been recognised by most of the countries in the world, but which had also been earnestly urged by certain Powers as a practical means of achieving appeasement in the world.

The Commonwealth Government has not deviated from its intention to enforce the prohibition after June 30.

The Government's announcements do not offer any reason for the prohibition beyond the ostensible one that we may need the ores ourselves. The public, however, speculate whether the establishment of a large Japanese interest in this remote part of Australia would not be a ground for anxiety.

Australia,
July 1938.

SOUTH AFRICA

I. THE GENERAL ELECTION

ON May 18 the electors of South Africa—European and (in the Cape and Natal) Coloured—chose a new House of Assembly, or rather 150 (European) new members of that House. The remaining three are representatives of the Cape native voters, elected last year for a fixed term of five years. It was the first normal general election since 1929—the election of 1933, following as it did immediately on the coalition between the parties of Generals Hertzog and Smuts, was in large measure a “coupon” election—and the politically-minded people of South Africa, taking advantage of that fact, entered into the campaign with characteristic vigour and gusto.

In 1933 there were returned 138 pledged supporters, South African party, Nationalist and Labour, of the newly formed Coalition Government, and twelve others of varying shades of independence who owed it no allegiance. Then in 1934 the Nationalist and South African parties ceased to exist, and the United South African National party, led by Generals Hertzog and Smuts, came into being. From it there split off on the one side a Nationalist party, led by Dr. Malan, claiming to be heir to the estate of the Nationalist party that General Hertzog had built up, and on the other a Dominion party, led by Colonel Stallard, which contested South Africa's sovereign independence, declared that it stood for Dominion status (a term of somewhat doubtful significance), and raised the slogan “South Africa, an integral, indivisible part of the British Empire”. These two parties, together with a small Labour party,

THE GENERAL ELECTION

shared the task of opposing the United party Government in Parliament and the country. They were composed of dissatisfied Coalitionists of the 1933 election as well as of some of those who had then been elected as opponents of official Coalitionist candidates. As a result the House of Assembly consisted, when it was dissolved early in April, of 117 United party supporters, 21 Nationalists (including one Independent who was to all intents and purposes a Nationalist), 5 Dominionites, 5 Labourites (including one dissident Labourite who had labelled himself a Socialist), and 2 Independents. These figures take no account of the three “Native” members, who have, very wisely, kept themselves clear of party affiliations.

The Government appealed to the country for an extended mandate, almost exclusively on two grounds—the ideal of national unity, the realisation of which the United party has always described as its chief task, and its record of achievement during the preceding five years. Those five years had been years of prosperity and of rapidly increasing revenue, to which the taxation of gold-mining profits made a very substantial contribution, and the Government's record was correspondingly spectacular. It therefore abstained, wisely perhaps, from the pastime, otherwise so congenial at an election, of regaling the electorate with promises for the future. It asked to be allowed to continue the good work done; it asked also for an endorsement of its ideal of a united South African nation.

The other parties sought to assail the Government's position from different points of view. Labour alone put economic issues in the foreground, but its appeal on these issues was trite and, in the result, ineffective. At one time the Dominion party had seemed disposed to make effective use of increases in the cost of living and of the Government's policy of assisting the agricultural producers at the expense of the taxpayers (mainly urban) and the consumers. It apparently decided, however, that sentimental issues would be electorally more productive.

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It therefore concentrated on such matters as the Government's alleged intention to tamper with British nationality in the Union, the questions of the national anthem (to be dealt with below), bilingualism and the position of the unilingual English-speaking public servant, the purchase of railway material and civil aircraft in Germany, and the like. Quite clearly it envisaged as its rôle the establishment of a rallying-point for English-speaking South Africans. Exactly opposite was the line of attack of Dr. Malan's Nationalist party. Its aim was to rally the sentiment of Afrikaans-speaking South Africans. To that end it raised such issues as republicanism (but not quite in our time), the Government's supposed subservience to British imperialism, and South Africa's neutrality in time of war. It should, however, be noted that the two extremist parties did not attack each other. Both confined themselves to the task of attacking the moderate Government party, and sometimes they co-operated in that agreeable occupation.

The Nationalist party, however, sought to strengthen its position by raising other sentimental issues, besides those arising out of the British connection. Colour prejudice has always been a valuable electoral counter in South Africa: the 1929 general election was won by General Hertzog mainly on a "Black Manifesto" in which the "native menace" was exploited, and General Smuts was accused of seeking to swamp the Union in the black ocean of the British colonies to the northward. Moreover, anti-semitic feeling has in recent years been growing into a factor of real significance in the life of South Africa. The Nationalists displayed a keen realisation of the electoral possibilities of these attitudes of mind. Anti-semitism was duly exploited, though in the later stages of the campaign with not quite so much fervour as had at one time appeared likely, and various issues calculated to stimulate colour prejudice were sedulously raised. The Government's native policy, which outside South Africa is

THE GENERAL ELECTION

usually described as reactionary and repressive, was assailed as representing a surrender of European interests to the natives. Expenditure on native development was bitterly attacked, the "liberal" tendencies of some members and supporters of the Government were used as bogeys to terrify the more conservative elements in the electorate, and a major election issue was made of the Government's unwillingness to introduce legislation constituting it a criminal offence for a European to marry a non-European, whether native, Asiatic or of mixed blood.

The main attack which the Government had to meet was therefore twofold—the attack on the practical application of the ideal of national unity, based on an equal recognition of the traditions and sentiments of the two main elements in the South African nation, and the attack by way of the stimulation of colour and racial prejudices. In meeting that twofold onslaught it was remarkably successful. The elections returned 111 United party supporters, 27 Nationalists, 8 Dominionites, and 4 Labourites (including the "Socialist" referred to above). After five years in office the Government lost only six seats, and secured a majority over all parties of very nearly three to one.

Other features of the results also provided the Government with cause for satisfaction. On economic issues its position was triumphantly upheld. Labour, weaker than it should have been in the previous Parliament, came back weaker still. It would seem that the bulk of the solid trade union elements supported the United party. The Dominion party increased its strength slightly, but it lost its leader, Colonel Stallard, and its deputy leader, Mr. Coulter. It enters the new Parliament as little more than a Natal group; seven of its eight members come from that province, while the eighth member held one of the East London seats in the Cape Province by a small majority. The predominantly English-speaking towns, Johannesburg, Cape Town, Port Elizabeth, Pietermaritzburg, Kimberley (all save Durban and East London),

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returned none but United party members. The Dominion party's aspiration of rallying the "British" element in South Africa has been decisively checked. The Nationalists also made some progress, most significantly perhaps in General Hertzog's own province of the Free State, where they won six seats out of fifteen and failed to gain some others, including those of General Hertzog and his Minister of Finance, Mr. Havenga, by relatively small majorities, but their success fell far short of their anticipations. Not only are they entirely unrepresented in Natal, but they were all but completely routed in the Transvaal, securing only one seat out of sixty in the Union's dominant northern province. Their failure in the conservative rural areas of the Transvaal is perhaps the most significant feature of the election. It shows that the appeal to colour prejudice is far less potent than it was as recently as 1929.

Yet, although the Government has been given a mandate for a further five years with an overwhelming majority, it would be wrong to regard its position as entirely secure. For one thing, the Nationalists have made more headway than their increase in parliamentary representation would suggest. In the Cape Province, outside the big towns and the rural areas developed by the 1820 Settlers, they are supreme. In the Free State they have won a good deal of ground, and but for General Hertzog's personal ascendancy would have done even better. The Transvaal is politically the most volatile part of South Africa and at least its rural areas are capable of swinging over to the Nationalists. Moreover, there are definite signs of an economic recession in South Africa, as there are in other countries. When the belt-tightening process commences, the Government will inevitably lose many supporters. There is the other side. The United party is composed of disparate elements, and though it worked pretty well together as a team during the recent elections, there were signs of strain suggesting that cracks might easily develop. One result of the

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election has been to increase the old South African party and the English-speaking urban elements in the United party. If the Government concedes too much to these elements, it is in danger of seeing some of its rural supporters go over to the Nationalist camp. If, on the other hand, it follows a policy designed to prevent such defections, it can very easily—as has indeed been shown since the election—antagonise its English-speaking supporters, who on May 18 rejected the sentimental appeals of the Dominion party in order to endorse the ideal of national unity. The plant of a united nation has grown considerably during the last five years, but it has not yet taken firm root, and its future development may easily be stunted.

There is also the personal factor. Personal loyalties to General Hertzog and General Smuts have been prime factors in keeping the United party together. But it is almost inevitable that one or both of them will retire from politics at no distant date. None of their present colleagues, despite the ability and forcefulness of some of them, will attract the same loyalties. Moreover, incompatibilities of temperament as between some of these other Ministers, hitherto kept in check by their leaders, will almost certainly assert themselves. The next five years will be important years in South African politics. They will not be lacking in interest. They will almost certainly produce significant changes in the present balance of political forces. And the changes may well commence very much sooner than most people anticipate.

II. THE NATIONAL ANTHEM

IF evidence were needed that the building up of a united nation in South Africa is necessarily a lengthy process, and that sentiments can still be easily aroused on issues affecting the distinctive feelings of the two main sections of its European population, such evidence would have

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been provided by the events of recent months in regard to the national anthem.

The South African Union was created out of two British colonies and two one-time republics which became British colonies after the Anglo-Boer war. Each of the republics had its national anthem, in each case an anthem fully worthy of its function. In the Cape Colony and Natal "God Save the King" was accepted unquestioningly as the national anthem, and by usage it enjoyed that status in the Transvaal and Orange River Colonies, and subsequently in the Union. It would, however, have been unnatural to expect ex-republicans of non-British stock to come to regard it as reflecting their own patriotic aspirations. Though very many of them to-day accept the present constitutional position and therefore show the fullest honour and respect to "God Save the King" as an expression of loyalty to their monarch, they have come to feel increasingly the need of an anthem that would embody their sentiments towards South Africa.

From time to time representations have been made for the legislative recognition of a South African national anthem. The Government's reply has always been that a national anthem can only be born of the hearts of the people. In recent years an Afrikaans anthem entitled "Die Stem van Suid-Afrika" ("The Voice of South Africa") has steadily grown in popularity and has established itself in the affections of the great mass of the Afrikaans-speaking section of the people and of an increasing number of English-speaking South Africans. The question of its official recognition has been raised from time to time.

Until January 1938 the Government had shown no sign of willingness to take any steps in this direction. Indeed, during the 1937 session, General Hertzog in Parliament spoke in somewhat depreciatory terms of "Die Stem". Great surprise was therefore caused by the fact that at the opening of the 1938 session—the first session to be opened

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by a South African Governor-General—while "God Save the King" was played at each of the three stages in the ceremonial where it had been played on previous occasions, a place was also found for the playing of "Die Stem" once during the ceremony.

At an early opportunity Colonel Stallard, leader of the Dominion party, formally asked the Prime Minister in the House of Assembly whether the playing of "Die Stem" at the opening of Parliament was intended to imply recognition of that song as the national anthem of South Africa. To that General Hertzog replied in the negative, adding: "It may one day come to that, but that was not the object with which approval was given for playing it on the occasion of the opening of Parliament". He then took the opportunity of making a considered statement on the legal and constitutional position in regard to the national anthem. The main points in this statement were:—The Union had no national anthem, legally or officially recognised, or generally esteemed and acknowledged in the hearts of the people of South Africa. "God Save the King" was the national anthem of Great Britain, and it was not correct to regard it as the national anthem of the Union. When played on appropriate occasions it had been received with the very utmost respect by the Afrikaans-speaking people of South Africa, no less than by those of British stock, not, however, as a national anthem, but because they assigned to it its primary and obvious character as a solemn invocation to the Almighty for protection to our King. In that character it would continue to be played on all occasions appropriate to the playing of that solemn invocation. "Die Stem van Suid-Afrika" had come to be accepted by very many people in South Africa, not only of the older stock, as their national anthem, and therefore it also had been played at the opening of Parliament.

This was the Prime Minister's statement, but as a result of supplementary questions by Colonel Stallard he amplified

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it in such a way as to create the impression that "God Save the King" was to be superseded as the national anthem by "Die Stem van Suid-Afrika". It was that impression, sedulously fostered by Colonel Stallard, and coupled with the Prime Minister's clear statement denying the official status of "God Save the King" as the national anthem of the Union, which profoundly disturbed a great number of the South Africans of British stock. There were rumblings of discontent among English-speaking members of Parliament, there was talk of Cabinet resignations, and it was only with great difficulty that the storm was allayed. To this end the Prime Minister made a further statement in the House, that on appropriate occasions "God Save the King" would be played as heretofore, but supplemented by "Die Stem van Suid-Afrika", and that all that he had intended to convey was that "to me, as to the rest of Afrikaans-speaking South Africans and others, 'Die Stem' will have the character of our national anthem and 'God Save the King' that of an invocation to the Almighty for His protection to our King". This was followed up by a statement issued, after submission to the Prime Minister, by English-speaking members of the United party who had interviewed him, accepting the assurance that there was no question of the supersession of "God Save the King", expressing appreciation of the sentiment voiced by him in regard to the feelings of Afrikaans-speaking South Africans for "Die Stem", but declaring that for English-speaking South Africans "God Save the King" had and would continue to have the character of their national anthem.

It was on this basis that the United party met the attacks of the Dominion party on the national anthem question during the election campaign. It was urged again and again, and indeed the Prime Minister himself emphasised it during the campaign, that there was no question of any supersession of "God Save the King" by "Die Stem", and that the latter would merely be supplementary. As the results of the election showed, the great mass of the

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English-speaking people of South Africa accepted the assurances that no change was contemplated in the recognition accorded to "God Save the King" and that it would continue to be held in honour as an expression of the nation's loyalty to its King. On this understanding they acknowledged it as right that a place of honour should also be accorded to "Die Stem", as expressing patriotic devotion to South Africa.

There was, however, room for misunderstanding in the Prime Minister's statements. He had emphasised that "God Save the King" would continue to be played on all occasions appropriate to its playing as a solemn invocation. He had said that "Die Stem van Suid-Afrika" would be played as supplementary to it. That did not exclude the possibility of there being certain occasions where the playing of "God Save the King", considered as a solemn invocation, was not appropriate, where indeed it had not been played in the past, but where "Die Stem" might be played in future.

And that is what happened with startling suddenness. On May 31—the anniversary of the coming into being of the South African Union, which is celebrated as South Africa's national day—at several of the military parades, including those at Cape Town, Pretoria, and Johannesburg, "God Save the King" was not played and "Die Stem" was. As a result there was stirred up a wave of feeling amongst English-speaking South Africans, which by its spontaneity and magnitude must have surprised the Government. The latter's spokesmen pointed out that "God Save the King" had not been played at these parades in the past, that indeed it would have been in conflict with the King's Regulations to play it on such occasions in the absence of His Majesty or of his representative, the Governor-General, and further, that "Die Stem" was not played as a national anthem but as a general salute. All this was of little avail. The shock to British sentiment in South Africa was profound. It is clear that the Prime Minister was not

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responsible for the orders given in connection with the parades. The same cannot be said categorically in relation to the Minister of Defence (Mr. Pirow). In any case, the Government as a whole was held to be responsible. The result was the precipitation of a Cabinet crisis, the resignation of one of the English-speaking members of the Cabinet, Mr. Stuttaford, and the prospect of the resignation of others.

As far as the Cabinet was concerned, the crisis was ended by the issue of a statement from the Prime Minister's office. It is sufficiently important to justify its quotation in full :

As far as the legal and constitutional aspects of the matter are concerned, the Cabinet has affirmed the position as stated by the Prime Minister during the last session of Parliament. It follows therefore that there is at present no official national anthem for the Union. Until such time as the people of South Africa have agreed as to the recognition of an appropriate anthem, the Government has decided that as a matter of procedure, on all formal occasions under Government auspices, when either "God Save the King" or "Die Stem van Suid-Afrika" is played, the other will also be played. In practice, such occasions will be limited to those appropriate to the playing of both, having regard to their character as defined by the Prime Minister in his statement above referred to.

The effect of this statement was to make it clear that there is in South Africa no official national anthem, but that until agreement has been reached by the people upon such an anthem, both "God Save the King" and "Die Stem" will receive equal recognition from the Government. It did not deal with the position of "God Save the King" in the contingency (still, apparently, remote) of there being agreement upon a national anthem. The Prime Minister has, however, given an assurance to a prominent party supporter that in that event "God Save the King" would still retain its rôle as an invocation, though it would not necessarily be played on all occasions when the national anthem was played.

SOUTH-WEST AFRICA

The agreement reached by the Cabinet served to dispel its own internal dissensions, and was followed by the withdrawal of Mr. Stuttaford's resignation, but it only partially calmed the storm outside. Feelings had been so profoundly stirred that many continued to press for a further statement on the facts of the Union Day incidents, indicating where the responsibility lay and expressing regret for what took place. In reply it has been stated on behalf of the Government that nothing is to be gained by presenting someone's head on a charger, and that it is enough that a sound rule of procedure has been laid down for the future, which will prevent the recurrence of incidents such as those to which exception was taken.

Here for the moment the matter stands. It seems almost inevitable that it will be raised again when Parliament meets. But in the meantime it has been made clear that the Government has alienated, it may be permanently, many of those who supported it on May 18, and the potentially disruptive force of sentimental issues in South African politics has again been demonstrated.

III. SOUTH-WEST AFRICA

IN spite of the measures taken last year,* there would still appear to be considerable uneasiness among the United party of South-West Africa and in the Union press concerning Nazi activities in the mandated territory. It is generally contended that the measures taken have proved inadequate for the purpose of removing racial propaganda and other activities subversive of the peace, order, and good government of the territory. It is specifically stated that Nazi agents have been entering the territory in considerable numbers and that their activities in various districts have been most marked. In consequence, the greater part of the German population, naturalised and

* See THE ROUND TABLE, No. 108, September 1937, pp. 863-867.

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unnaturalised, has been regimented into an elaborate system of cells and groups, with their *Fuehrers* in ascending ranks, under the ultimate leadership of the appropriate division of the German Foreign Office. For those who in their hearts object, moral pressure, economic boycotts and sometimes threats of reprisals upon relatives resident in Germany have made it uncomfortable, if not dangerous, to oppose this Nazi tide. Finally, the claim has been put forward by a considerable element amongst those Germans who were automatically naturalised to the possession of a dual nationality—an equal allegiance to the Union and the German Reich. This claim has been fomented by the recent difference in interpretation by the Union and German Governments of the London Agreement of 1923, which preceded the measure for automatic naturalisation. The German Government's contention that the word "*gegenwaertig*" in the recognition by the signatories "that the future of South-West Africa is now (*gegenwaertig*) bound up with the Union of South Africa" meant "for the present" was not admitted by the Union Government.

The United party of South-West Africa proposes a twofold remedy to meet the difficulties of the present situation. In the first place, it urges that the Union Government should without delay take the bold course of abolishing the present constitution, and incorporate the country for administrative purposes in the Union. In the second place, it proposes that a new naturalisation law be passed, depriving those automatically naturalised of the rights of British citizenship unless they abandon the claim to dual nationality.

Neither of these remedies seems likely to be adopted. The Union Government has recently re-affirmed its refusal to govern the territory as a fifth province of the Union. On the other hand, there seems to be no juristic substance in the claim to a dual allegiance and therefore no warrant for further legislation. It would appear that the only remaining course, patience and conciliation having failed,

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is the institution of an orderly purge which will banish all Nazi organisation and send back to Germany the agents deliberately imported to control German life in the territory. In this way all sections of the population might be guaranteed a free, undisturbed and democratic life.

Union of South Africa,
July 1938.

NEW ZEALAND

I. SOCIAL SECURITY

SOCIAL security in the form of a national superannuation and health service has become the dominant feature of governmental policy in New Zealand. The Prime Minister believes that the paramount duty of a Government is to help those unfortunate persons who are unable, through rough circumstances over which they have no control, to support themselves in reasonable comfort. The sincerity of the Prime Minister is undoubted, as would be the wisdom of his proposals if the beneficiaries of state bounty were only those who are physically, mentally, and financially unable to provide for themselves.

In some quarters the Government's scheme is criticised on the ground that New Zealand, like most other countries, has its proportion of people who want something for nothing. They will, it is said, be provided for under the scheme. What is more important is its probable effect on the morale of the younger generation. The Dominion is still a young, sparsely populated country, and its development has not long since passed the rudimentary stage. The same virility, enterprise and individual effort are required for its further advancement as were displayed by its founders. It will be a tragedy indeed if these characteristics of our people should diminish as the direct or indirect result of state beneficence.

Mr. Savage stated on many occasions that the scheme for social security was a cardinal point of his Government's policy and would be placed on the statute book at a special session of Parliament in February of this year. The difficulties of implementing this policy were well

SOCIAL SECURITY

recognised by many, and in some quarters were regarded as insuperable. Mr. Savage, nevertheless, persisted with his plans. Then suddenly he announced that the scheme was not ready for consideration during the special session, and would be deferred until the final session of the present Parliament. No further reason was given. Next he announced the setting-up of a select committee of the House of Representatives, comprising one Independent, six Government, and four Opposition members, to investigate the "national superannuation and national health schemes". In making this announcement Mr. Savage said:

We have a definite policy and we want all interests to have an opportunity of enlightening themselves and submitting their comment. We are not asking the committee to go rambling round looking for the skeleton of a superannuation scheme, but if they make suggestions, adding to it or taking away, it will be our duty to take notice.

Sections of the press at once called on Mr. Savage to make the plan known at the earliest possible moment in order that it could be studied at leisure by those qualified to give evidence before the committee. He quickly satisfied this demand by outlining the Government's proposals in a statement broadcast through the stations of the national broadcasting service.

The Government's proposals for immediate adoption were as follows: a free universal general-practitioner service, free hospital or sanatorium treatment for all, free mental hospital care and treatment, free medicines, and free maternity treatment, including the cost of maintenance in a maternity home. For the purposes of estimating the annual cost of these proposals, Mr. G. H. Maddex, a British government actuary on loan to the New Zealand Government, was instructed to proceed on certain assumptions. Thus, general-practitioner service would cost 15s. per head of population per annum, or £1,210,000. Hospital and sanatorium treatment (including mental hospital treatment) would cost 6s. a day for the present annual average number

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of occupied beds, or £940,000. Free medicine would cost 7s. per head of population per annum, or £560,000. Maternity service would cost £15 for each confinement, or £290,000 per annum.

The estimated total cost of the proposed health service was therefore £3,000,000 per annum, to which must be added the annual expenditure of the hospital boards. The sum of £940,000 mentioned above is only a grant to the hospital boards, in whom the control of the public surgical and clinical hospitals is vested. Hospital boards at the present time obtain most of their funds from a levy on all local authorities in their respective districts and from a government subsidy.* The actuary pointed out, however, that, while £940,000 may be adequate at the outset, the cost may grow considerably in the course of a few years. If hospital accommodation is given free of charge, and if cash benefits are granted during sickness, there may be a great increase of pressure on hospital accommodation, more especially under the new conditions of practice (free general-practitioner service). The extent of the increased cost must be governed for a time by the upper limit of available beds in existing hospitals, but this in itself would mean a substantial advance over the amount allowed, and there is likely to be a demand for hospital building programmes. These would presumably lay an indirect burden on the Treasury, the direct cost being borne by the hospital boards.

The Prime Minister disclosed seven further classes of benefits (mostly relating to specialist treatment), but as they are not to be conferred "until the organisation and finances are available" it is unnecessary to discuss them here.

The medical profession, while not condemning a national health service, has expressed disapproval of the Government's proposals. They are not such, it declares, as would benefit the people appreciably by raising the standard of health or by increasing the accessibility and efficiency of

* Fees are charged to patients, but payment is not enforced unless a patient is in a position to pay.

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treatment. Secondly, the proposals to provide a partial service for the whole community, irrespective of need, are directly contrary to the advice of the profession that the scheme should be limited to relieving actual needs and assuring complete service where necessary.

The proposals will effect two important changes in medical practice, namely, the abolition of payment for medical services by those able to pay, and the absorption of all members of the medical profession (other than a small proportion who are specialists or fashionable general-practitioners) by the state medical department. The objections to these changes were placed before the select committee by the local branch of the British Medical Association.

As for the national superannuation scheme, however etymologically correct its designation may be, it is a complete misnomer so far as the general public is concerned. Superannuation has always been regarded in New Zealand as a pension bought by direct contributions and payable as of right to the contributor. In short, each contributor makes a payment out of his wages or salary (or allows a deduction to be made) so that on the happening of a certain event he will become entitled to a fixed weekly, monthly or annual payment for the rest of his life.* The scheme propounded by Mr. Savage, however, is merely an extension of the existing pension and unemployment relief systems, intended to give adequate support to all who are otherwise unable to keep themselves in a reasonable state of comfort.

The old-age pension scheme in New Zealand dates back to 1898. On March 31, 1937, there were 54,134 old-age pensions in force. This represented an annual payment of £3,068,293, or an average pension of approximately £56. The original pension scheme was extended to provide for

* All members of the state services compulsorily contribute to the existing state superannuation systems and are entitled to an allowance of one-fortieth of the salary at retirement for every year of service, with a maximum of £300 a year. Many commercial, industrial and other private institutions have superannuation systems.

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widows and persons physically and mentally unable to work. On March 31, 1937, there were 4,753 widows' and 7,491 invalidity pensions in force, representing yearly payments of £464,879 and £478,165 respectively. Other forms of pension (including war pensions) have been authorised from time to time, and on March 31, 1937, the total annual value of all pensions was £5,930,421.

The Pensions Amendment Act 1936 made substantial increases in the rates of pensions and also enabled many people to qualify by permitting pensioners to own assets within increased limits. A person owning the following property may now, if otherwise qualified, receive a full pension:

(1) Land to any value. If, however, the land produces a net income, this will be taken into account, as shown below. Land used for a pensioner's residence is deemed to be non-productive of income.

(2) Mortgages to any value, if secured on land. The income, however, must be taken into account.

(3) Furniture and personal effects, whatever their value.

(4) Any other property up to a total of £500.

All pensions are reducible by £1 for every complete £1 of income over £52 per annum; and by £1 for every complete £10 of the net capital value of accumulated property. The classes of property mentioned above are deemed not to be accumulated property. The effect of these exemptions and of the increases in the rates of pensions was to bring the pensions bill of the Dominion for the year ending March 31, 1938, to £7,495,000.

The prospective social security bill for the year 1939-40 will be as follows:

Pensions as at March 31, 1938	£
Sustenance payments to unemployed workers	7,495,000
Increased pensions and health service	1,500,000
Sundry minor increases in pension rates	8,800,000
	55,000
Grand total	£17,850,000 *

* The total revenue of the Dominion for the year ending March 31, 1938, was £36,059,000, and expenditure was £35,249,000.

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The scale of pensions now proposed is:

	Extra cost in first year. £
1. Old-age: 30s. a week to every person attaining the age of sixty years (limit of other income without reduction of pension, £1 a week) *	2,300,000
2. Widows and deserted wives: 25s. a week for each widow or deserted wife, and 10s. a week for each child under the age of sixteen years	580,000
3. Orphans: 15s. a week for orphans under the age of sixteen years	50,000
4. Family allowance: 4s. a week for third and subsequent children under the age of sixteen years. (Total income not to exceed £5 a week plus the pension).	600,000
5. Invalidity: 30s. a week for persons permanently unfit for employment	300,000
6. Sickness and disability: (a new provision for people during periods of temporary disability)	1,500,000
Total additional cost for the first year	£5,350,000

This additional cost, *plus* the cost of the health service, £3,000,000, and an extra cost of £450,000 for administrative expenses, makes a total additional expenditure of £8,800,000 in the first year of the scheme. A small increase in the rate of sustenance for unemployed workers has also been

* In a supplementary statement on June 25 Mr. Savage said that under the original scheme the lower-paid contributors to existing superannuation schemes would have been required to pay the social security contribution, but owing to income limitations would not have received full superannuation benefits. Accordingly they had decided to increase the allowable income on a sliding scale so that in such cases an annual income, including state superannuation, of £312 would be allowed. Mr. Savage also intimated that in certain other cases there would be a graduation of benefits above the original £208 per annum limit. The extra annual cost of the proposed extension has not been stated officially, but the *New Zealand Herald* has estimated it at £4,580,000, making the total pensions bill £22,430,000 per annum.

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provided for, but it is estimated that the present annual cost (£1,500,000) will not be exceeded.

Mr. Savage announced that the whole cost would be met from three sources: the levy of £1 a year on all males over the age of twenty years, one shilling in the £ on all wages and income,* and a contribution from the Consolidated Fund. According to the figures prepared by Mr. Maddex, the Consolidated Fund will have to make a contribution of £9,850,000 during the first year, instead of £7,495,000 as at present. In his evidence before the select committee Mr. Maddex made the following statement in reference to the future cost of old-age pensions alone:

With the continued growth in numbers of the aged population, as well as the allowance for an increasing percentage in receipt of pension for some years, the cost of superannuation allowances is estimated to increase from £6,200,000 in 1939-40 to £9,900,000 in 1949-50 and to £14,100,000 in 1979-80.

The Prime Minister pressed Mr. Maddex to say that it was reasonable to assume that New Zealand in ten years' time would be just as well off from the point of goods and services as it is to-day; in other words, that the production of goods and services is likely to increase just as rapidly as the cost of the Government's proposals. Mr. Maddex replied, however, that that depended not only on the amount of production, but also on the prices of our products and our ability to market them.

Mr. Nash, the Minister of Finance, took a different line by suggesting that New Zealand could look forward to

* The levy of £1 per annum and a tax of 8d in the £ on wages and income are payable at present, and form the Employment Promotion Fund. The income of the fund for the year ending March 31, 1938, was £5,398,346, of which £1,397,452 was spent in paying sustenance to unemployed. The balance, less administrative expenses and a balance of £433,890 carried forward, was used for works undertaken to promote employment. Any money required for works to promote employment in the future will have to be provided out of general revenue or from loan moneys.

SOCIAL SECURITY

the same rate of progress during the next forty years as during the last forty years. Mr. Maddex replied:

I feel that forty years ago New Zealand was in such a rudimentary state of development that the needs were entirely different. It would be exceedingly difficult to draw an analogy from those years which would be really reliable as a guide.

The Prime Minister took up a similar strain to that of Mr. Nash in a public address delivered in Wellington on April 21.

The newspapers (he said) have seized upon actuarial calculations of the probable cost in ten and forty years, but they are very silent about the inevitable increases in production that will take place during the same period. The experience of the past is not without its value in this respect. In 1900 the value of production was £34,000,000; in 1937 the value of production was £136,000,000—an increase in value of 300 per cent.

Thus it seems that the Government intends to commit the country to a heavy annual expenditure, increasing year by year, believing that with the development of our secondary industries the value of production and the national income will increase as they have during the last forty years. During those years, however, there were periods of serious recession.

The determination of the Government to proceed with the scheme was made clear by Mr. Savage in the same address.

Labour's policy (he said) of increasing social services at a cost well within the capacity of a rich country to pay without undue strain at all has raised the ire of the Nationalists. But you may accept my assurance that, notwithstanding the bleatings of the daily press and the selfish cry of big interests, the social security plan of the Government will be made the law of the land during the next session of Parliament.

Although the Government intends to pass the necessary legislation during the present Parliament, it will not come into operation until April 1, 1939. Thus will social security, as interpreted by the Labour Government, be one of the main issues at the general election to be held towards the end of the present year.

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II. THE GUARANTEED PRICE

THE object of the guaranteed price for dairy produce was to stabilise prices, and this was to be achieved by fixing an f.o.b. price for butter and cheese at the commencement of each season. The ownership of the produce passes to the Government as soon as it is placed on board ship for export, and the producers are then paid.

The first year's operations resulted in a deficit of £272,000, which stood as a debit balance in the Dairy Industry Account at the Reserve Bank. The question arose, how this loss was to be met. Mr. Nash spoke of balancing possible surpluses against possible deficits. The Minister of Agriculture subsequently stated that the guaranteed price scheme differed hardly at all from a price equalisation scheme. Later Mr. Nash stated to a meeting of farmers at Stratford that "future surpluses will be used as a reserve for lean years". In a speech on May 16 he said that the deficit had been transferred to a special account and would not remain a charge against the Dairy Industry Account, but he did not explain how it would be liquidated.

The Prime Minister, in opening the inter-provincial conference of the Farmers' Union at Wellington on May 24, made reference to a surplus of £500,000 in the Dairy Industry Account and the probability of a much greater surplus before the present season ends.* He then said: "A plan for making that surplus available to the dairy farmer is now being worked out. . . . It means that you have a minimum price of 112s. (per cwt) and you are also going to get everything above the minimum you can get in the open market."

The *New Zealand Herald* (Opposition) made the following comment:

At the very outset Mr. Nash had a golden opportunity to reserve a large surplus to be offset against possible deficits in the

* The present is the second season during which the guaranteed price has operated.

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future—to cushion a slump. Mr. Savage has demolished this provident scheme. Nothing will be kept in hand. Politics have triumphed over economics and expediency over principle. This result was anticipated and now it is an established fact.

Mr. Nash announced on June 22 that the net surplus for the current year's operations would be approximately £928,000, which is to be applied in making a further payment of ½d per lb of butter-fat to producers. This will absorb £815,000, leaving a credit of £113,000 in the Dairy Industry Account.

The dairy farmer organisations have pressed the Government to delegate the fixing of the guaranteed price to an independent tribunal presided over by a judge of the Supreme Court. It seemed unlikely that the Government would accept such a plan, as it would be tantamount to giving the tribunal power "to draw blank cheques on the Government should its anticipations be upset by markets". Mr. Savage, however, stated at the Farmers' Union conference that the Government was willing, if the farmers so desired, to set up a tribunal comprising a Supreme Court judge as president, a representative of the Government and a representative of the dairy industry, charged with the duty of fixing the guaranteed price. This offer was accepted by the conference, but the national dairy conference passed a resolution on June 23 that the tribunal should merely make recommendations to the Government, leaving the latter the responsibility of actually fixing the price. On the following day Mr. Savage announced that in view of this decision the Government did not intend to proceed further with the proposal.

III. NATIONAL DEFENCE

ON May 16 the Minister of Finance, in a policy statement, referred to the amount the Government was spending on defence,* and said: "If the Old Country is

* The sum of £1,750,000 was included in the estimates for 1937-38.

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attacked, we are too. We hate all this war propaganda, but if an attack is made on Great Britain then we will assist her to the fullest extent possible". On the following day the Minister of Defence gave a full review of the Government's policy towards the defence forces of the Dominion. It may be appropriate first to refer briefly to the Dominion's former scheme of defence.

The Defence Act of 1909 introduced compulsory military training. Within two months of the declaration of war in 1914 we had despatched a force to capture Western Samoa and an expeditionary force comprising complete brigades of artillery, mounted rifles and infantry. The expeditionary force eventually comprised a complete infantry division *plus* a brigade of mounted rifles, and was maintained at this strength from 1916 onwards. There is no consensus of opinion in high military circles, however, that compulsory training produces the best results, and the Government has declared unequivocally against it. Indeed, its abolition was a plank of the Labour party's platform for many years. It was actually abandoned in 1931, when the United party, as a minority Government, remained in office with the support of the Labour party.

Before the war, an annual contribution towards the upkeep of the navy was made to the British Government, but after the war the Dominion undertook the complete cost of maintaining two "D" class cruisers in New Zealand.

The Minister of Defence, in his statement of May 17, pointed out that the Government had set up a naval board, an air board and an army board for the control and administration of the three services. He then proceeded to review the progress made and to outline the policy of the Government in respect of the future development of the forces.

The naval forces have been strengthened by the replacement of the "D" class cruisers by cruisers of the Leander class. All essential services for the maintenance of the sea-going squadron have been inaugurated, and most of

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them will shortly be completed, namely, the naval dockyard, naval armament depot, oil fuel storage, and adequate accommodation for naval stores. The object of the policy is the maintenance of the sea-going squadron as a mobile and efficient unit based on New Zealand.

The Government has established an air force as a separate service of the Crown, organised so that it can take its appropriate place alongside the other two services in the defence of New Zealand. It has approved of the formation of two new operational stations and the establishment of a repair base and stores depot. It has established a flying training school for pilots of the Royal New Zealand Air Force. It has ordered five twin-engined Airspeed Oxford aeroplanes for training of personnel and thirty Vickers Wellington aircraft for the operational squadrons at a cost of £750,000, together with ammunition and spares. It has further established four squadrons of territorial air force. The organisation has been facilitated by the provision of twenty-nine Baffin aircraft from the British Air Ministry's reserves. Their purpose is to overtake and attack enemy ships. Finally, the Government has established a scheme for a civil reserve of pilots, under which 100 pilots for the reserve are trained annually and given two refresher courses for the two succeeding years.

As far as the land forces are concerned, the Government has spent £15,000 this year on army-type vehicles, which form a transport pool in each district. The district pool is augmented by hiring commercial and other vehicles for annual and week-end camps. Motor-cycle platoons with Lewis guns have been formed on the scale of one to each battalion, and now number some 300 enthusiastic members. Considerable amounts are being spent in providing armoured machine-gun carriers, Bren light machine-guns, new pattern mortars, more wireless sets, additional anti-aircraft and coast defence equipment. The cost of undelivered stores ordered from Great Britain and Australia by this Government and its predecessor amounts to some

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£250,000. The Government has established district schools for the whole field of territorial training. To date, 345 officers and 2,195 n.c.o.s have undergone six-day courses. It has also established a special reserve for coast defence and anti-aircraft services. Men are enlisted for three months' training and are then posted to the special reserve. So far, 224 men have undergone this course of training and a further 200 have recently enlisted.

The Minister stated that the establishment of the land forces has been placed "on a brigade basis as far as the field force is concerned, and certain units are ear-marked as fortress troops for coastal defence at the main ports". In conclusion he said :

The present strength of our territorial force is 7,400, of whom only 41 per cent. have attended camp this year. That is not a satisfactory attendance, and the Government is anxious to bring about a marked improvement. Another 1,600 men are required to bring the peace establishment up to its full strength of 9,000 all ranks, and every effort will continue to be made to obtain them. . . . It is not so much a question of numbers as of obtaining men of the right type. . . . I think I have shown that the Government for its part is prepared to spare neither effort nor expense to establish a live and efficient force. Its attention will continue to be directed towards this object and I would welcome the assistance and co-operation of all sections of the community to bring the territorial force up to its full strength and the highest state of efficiency.

The announcement of the Minister of Defence was followed by an unprecedented action on the part of four colonels on the active list of the territorial force, who issued a public manifesto declaring that the proposed scheme relating to the land forces was insufficient for the defence of New Zealand.

The press and various organisations have now taken up the question of national defence, with the result that public interest has been aroused. The General Officer Commanding was able to announce on June 10 that "there has been a marked improvement in voluntary recruiting for the territorial force".

THE COMING ELECTION

IV. THE COMING ELECTION

BEFORE another issue of THE ROUND TABLE appears, a general election will almost certainly have taken place in New Zealand in November.

The organisation of the National party has been pushed ahead with energy. The Labour party has always been well organised. The official candidates have been selected and announced for nearly all the constituencies. The present indication is that there will be a straight fight between a candidate from each party in each electorate, and the broad general issue will be for or against a further advance towards socialism.

There is in New Zealand a large floating vote, which is capable of swinging any general election. The majorities gained by the Coates Government in 1925 and the Coalition Government in 1932 were as great as the Labour majority of 1935. The "floating voters" and the small farmers condemned the deflationary policy of the Coalition Government and had no confidence in the newly formed Democrat party, so both voted solidly for Labour. Although the local body elections are not fought on party lines, the defeat of nominees of the Labour party in many parts of the Dominion in the May elections may indicate a swing away from Labour.

The forthcoming election is regarded as one of the most important in the history of the Dominion. The stage has been set for state socialism, and the electors are being asked by the Government to give it a mandate to proceed with the drama.

New Zealand,
June 1938.

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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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No. 113. DECEMBER 1938 Price 5/-
London: MACMILLAN & CO., LTD.

Printed in Great Britain and entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec. 397, P.L. and R.).

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THE CRISIS AND THE FUTURE

WHEN Er the Pamphylian, in the Platonic myth, came back to life after his soul had sojourned for twelve days in the other world, "in what manner or by what means he returned to the body he could not say; only, in the morning, awaking suddenly he found himself lying on the pyre". Like Er, the peoples of Europe and of the Commonwealth have been plucked back from the edge of calamity, and they too have brought with them the memory of a dream in which good and evil, hope and despair are mingled. Their first and dominant emotion has been one of profound relief at the escape from war. The great war is still fresh in the minds of millions, and the campaigns in China and in Spain have reinforced the feeling of all sensitive humanity that modern weapons, and above all the aeroplane, have stripped war of everything but its brutality, its suffering and its futility. The sense of relief remains, but time and reflection have brought the realisation that the world on which we have opened our eyes is strangely, and in some respects ominously, different from that which we have known for twenty years. For not only has Czechoslovakia been reduced to impotence, but Poland and Hungary have been drawn into the German orbit, the French Alliances in the East have been broken or rendered ineffective, the Little Entente is moribund. The Third Reich has established itself as incomparably the strongest military power on the Continent, and there are none to-day who can prevent it from exercising political and economic dominion over all Europe from the Rhine to the Russian frontier. It is clear that if the Germany of the Hohenzollerns had been given in 1914 the certainty of attaining

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in central Europe a hegemony far less complete and irresistible than that now within the reach of their successors, there would have been no war.

No one need feel surprise that the sober contemplation of these changes should have brought to the surface both in the British Commonwealth and in France doubts and anxieties that had been suppressed during the crisis by most of those who felt them. The questions are being asked—and that they are being asked widely and insistently is in itself in free communities such as ours a reassurance and a symptom of health—whether changes so far-reaching were inevitable, whether our own part in bringing them about was beyond reproach and what obligations devolve upon us all as citizens and upon our Government if we are to save ourselves from the fate of Czechoslovakia and to hold aloft the torch of freedom in the world. It is the purpose of this article to suggest an answer to such questions as these and so to resume and supplement the other articles on the crisis which appear elsewhere in this number.

I

IT was a commonplace of Nazi propaganda to speak of Czechoslovakia as of some monstrous birth—

“A freckled whelp, hag-born—not honoured with
A human shape”.

Yet it may be safely asserted that the errors made at Versailles in the fixing of its frontiers were not the most significant of the ultimate causes of its dismemberment. The nationalities incorporated in the new State had all been fellow-subjects of Austria-Hungary; none of them had ever owed allegiance to any German prince but a Hapsburg since the mediæval Empire. No boundary could have been drawn which would not have left minorities on one side of the line or the other, and no boundary could have been defended if the bastion of Bohemia, which throughout historic times has been the

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military key to the command of the Danubian plain, had been transferred to Germany.

But if the State created at Versailles were to survive in its original form, the first condition was that it should succeed in converting the atmosphere of open or latent hostility in which its mixed populations had for centuries lived side by side into one of mutual tolerance and from tolerance into harmony. The Czechs gave to their fellow-citizens an efficient and progressive administration, wise laws, freedom of speech, of the press and of political activity, such as they had never known, but they failed in the supreme task of welding many nationalities into one nation. Their régime, as Lord Runciman discovered, could rarely be called oppressive and was never terroristic; but it was lacking in generosity and in imagination. They had promised to build up a second Switzerland, but the measure of their failure is that only at the eleventh hour were they willing to concede what in Switzerland—or in South Africa—would be recognisable as equality of language rights. The iron of their own subjection had entered their souls.

To their sins of omission at home were added fatal miscalculations abroad. They received with a cold repugnance every proposal for strengthening their economic ties with their neighbours. They prevented the restoration of the Hapsburgs when they should have welcomed it as the only alternative to the *Anschluss*. Relying to the end upon their alliances with France and Russia to defend them against the full force of Nazi aggression, they neglected until too late to make any serious attempt to conciliate their minorities. Yet even before the *Anschluss* it was notorious that a new Tiberius had destroyed the morale and the material efficiency of the Russian army. It was notorious too, notwithstanding repeated official assurances on the subject, that in France the politicians and the man in the street were alike openly questioning the feasibility of honouring French obligations to Czechoslovakia since the fortification of the Rhineland by Germany. In the light of these

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facts it is not enough to say, as many of her apologists in this country have said, that Czechoslovakia was destroyed because she trusted her friends. Nations are not preserved in the long run unless alliances and friendships are reinforced by wisdom and prudence in the judgments of their rulers; and in a world where a Napoleon or a Hitler stalks abroad a miscalculation may spell ruin. The Czechs have shown courage and dignity in adversity, but something more than courage and dignity was needed to ward it off.

The future historian of this period will probably decide that once the *Anschluss* had been achieved, the state of Europe being what it was, the fate of Czechoslovakia was sealed. Herr Hitler held too many cards. Since the whole world knew it, he cannot have been unmindful of the pernicious anæmia which had assailed the politics and the economic life of France. Since the whole world knew it, he cannot have remained ignorant of our own halting efforts to build up our defences against air attack. He had the further unusual and inestimable advantage of being able to demand, in the name of self-determination for the Sudeten Germans, what he needed to help him establish the future invincibility of the Reich. He well knew that neither France nor ourselves would lightly enter the lists in opposition to a cause that could be represented as identical with a principal declared object of the Allied Powers in the last war. These advantages were palpable, and to exploit them the familiar weapons of National Socialist aggression were only waiting to be unsheathed. Intimidation in Sudetenland, bad faith on the part of his chosen negotiators there, vituperative and lying propaganda in the press and on the wireless—nothing was spared. In the last analysis, the crisis came and Czechoslovakia was sacrificed because Herr Hitler had weighed in the balance the armed strength of the democracies and their willingness to stand punishment against that of Germany, and had found the democracies wanting. Whether he was right is now irrelevant, for we accepted his valuation.

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II

WHAT of our own part in these events? Everything else has been obscured by the intensity of the personal effort made by Mr. Chamberlain to preserve peace. No serious critic of the Prime Minister—and he has many critics in all parties and in all walks of life—has contested the sincerity of his motives. Believing that Europe was rushing headlong into war, he devoted all the courage, pertinacity, energy and resource at his command to averting what he was convinced would be general disaster. In that aim he succeeded and thereby saved Czechoslovakia from fire and sword. Yet the Munich agreement, the negotiations that preceded it, and above all the execution of its provisions, have left a widespread sense of discomfort, and the origin of that discomfort is the consciousness that neither reason nor moderation nor justice has prevailed at any point against a direct and brutal threat of force. Though in form a settlement by consent between the four signatories, the Munich agreement did no more than set the seal of legality to the most extreme demands of the German Chancellor. Possession is still nine-tenths of the law, and it was implicit in the Munich agreement that when once the German army had set foot in Czechoslovakia and the danger of Franco-British intervention had been removed, no commission of ambassadors, no corps of observers or any other “safeguard” could prevent the Reich from fixing its own future frontier with Czechoslovakia. It is not an exaggeration to say that the ethnical line has been followed only when Germany could see no military or economic advantage to herself in departing from it. To call this “self-determination” or “repairing the blunders of Versailles” seems to the ordinary man a mockery.

What, then, were the considerations that led the Prime Minister and M. Daladier to accept at Munich the substance of what had been rejected at Godesberg? Condemnation of the contents and the spirit of the Godesberg

THE CRISIS AND THE FUTURE

memorandum had been immediate and unqualified not only in France and Great Britain, but throughout the world. In France, indeed, the pressure of public opinion had forced resistance upon a Government which previously had seemed resolved on nothing but to be irresolute. From this atmosphere of determination at home the two Prime Ministers went to Munich to "try what reason and good will and discussion would do", and hopeful that within a week they might reach agreement. Why within twelve hours of their arrival did they accept the unacceptable, without even the formality of consultation with the Government in Prague? In the absence of any but the most fragmentary account of the Munich negotiations, there can be no certain answer to this question. But is any answer intelligible except that the two Governments, being already committed to the transfer of the Sudetenland, preferred to acquiesce in terms that they knew to be unjust, that they knew must enthrone dictation instead of reason as the governing principle of treaty revision, rather than to expose their peoples to the risks and perils of a German attack from the air? The decision not to fight when doubtful of its ability to fight and win is in itself one for which no Government could fairly be criticised; and in this instance it is one that all the evidence since accumulated, both here and in France, of confusion and unpreparedness over the whole field of anti-aircraft defence would seem to render not merely intelligible, but imperative. In the Parliamentary debates that followed Munich both Governments elected to defend the agreement on the ground that it was essentially different from the Godesberg memorandum and that it embodied substantial concessions by Herr Hitler to reason. The ultimate test of any agreement is how it has worked out and not what was said in its favour; but no one need be unduly critical if Ministers either here or in France prefer a reputation for naïveté in negotiation to that which they have earned by administrative incapacity.

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It is unfortunate that public attention has been concentrated primarily on the crowded days and nights, on the hurrying and scurrying of the brief period between the Nuremberg speech and the Munich meeting. Unfortunate, because the last scenes must be put in their proper perspective and seen against the background of the earlier acts if we are to extract from the drama those lessons for our future guidance with which it is richly endowed. The first lesson is that, by comparison with the standards of a totalitarian Power, we have played at rearmament. It is true that over a long period our defences were neglected and, if we wish to make a party point, that Labour was in power during an important part of that period. It is true also that the queer Baldwinian superstition that a democracy must be led from the ranks wasted two critical years. But what has mattered most is that even since 1935 we have failed to employ the immense resources of this country in the rehabilitation of our defensive armaments. We have not realised that speed was everything; we have rearmed almost reluctantly and as though we were half persuaded that in some way or other we should be spared the necessity of completing our programme. The delusion of collective security has sapped our resolution long after it had been discarded by our intellect. It is to the state of our armaments, and to our failure to give to the world any sign that as a nation we recognise the obligation of personal service even in defence of our homes, that we owe the progressive deterioration of our diplomatic influence in the world and the humiliations that have been put upon us.

The second lesson is that a foreign policy which is unstable, the subject of unending controversy at home, and therefore a succession of compromises, is the most dangerous of all policies. We have broken no engagement to Czechoslovakia, because we have had none since the Covenant was allowed by tacit consent to slip into oblivion. But in April, and again as late as September, we declared our interest in the problem of Czechoslovakia in terms which

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were incapable of any rational explanation unless the Government had decided that in certain circumstances the fate of that country would become a *casus belli*. It is improbable that the British Government looked on that declaration as a compromise. Yet it was made as a result of pressure from those rival sections of British opinion which were clamouring the one for a guarantee, the other for disavowal. In the light of what followed, we should have better served the interests of Czechoslovakia if we had told both Dr. Benes and the French Government frankly and privately in April that we were in no position to fight.

Finally, we are bound to ask ourselves why Mr. Chamberlain was left in the end to make bricks without straw. Can there be any other explanation than that neither the French Government nor our own apprehended, until it was too late, the determination with which Herr Hitler moves to attain his purpose or how remote that purpose is from any concept of justice or international morality?

III

THE British people are to-day facing with mingled emotions a future, which they know to be difficult and even dangerous. Profoundly thankful for the respite that the Prime Minister has won, shocked by the inadequacy of our defences, and convinced that new methods and new men must be found, longing for appeasement and yet sceptical as to the policy, eager to serve but uncertain how to do it, the nation is asking for a lead without knowing from where a lead is to come. It is dissatisfied with the National Government, finding the epithet misleading and the personnel as a whole unimpressive. Yet the nation is as far removed as ever from a belief in the nostrums of Socialism or in the policy with which the Opposition until recently has been identified, the policy of pugnacity from weakness. Whatever were the result of a general election now or in the near future, the one certain prognostication

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is that the new Parliament would be chosen with no glow of conviction on any policy that has yet been disclosed to the country.

An important contributor to this general malaise is the fact that for some years past, in defiance of a long and invaluable tradition, foreign policy has been almost the only subject of political controversy. When a Government predominantly conservative nationalises private property and embarks upon the reorganisation of industries such as mining and agriculture, when the principle of social reform is universally accepted and only the *tempo* is in dispute, men turn to other fields in which they can enter the lists for their ideals. In the welter of political and economic problems created by the war and the rise of the totalitarian States, foreign affairs became perhaps the inevitable choice. Yet it would be difficult to conceive of a sphere in which devotion to an end without regard to the means could be more hazardous or one in which the influence of a house divided against itself would count for less. Even to-day, after a crisis which has ruthlessly exposed the folly of disunity and the complete dependence of foreign policy on the means available at any moment to support it, every party in the state and every gathering of citizens is thrown into controversy at the mention of foreign affairs, by what the disputants believe to be a conflict of ideals.

Yet by a shifting of emphasis it is possible to imagine a policy behind which the whole nation could unite with no sense of being frustrated in its idealistic fervour. The task of statesmanship to-day must surely be not to "save Spain" or to destroy Fascism, or even primarily to seek peace, but to place beyond fear of attack, to strengthen, to renew and to revivify the achievement of the British people in the world. By service and suffering, by energy and enterprise our ancestors established freedom, justice and the rule of law not only in these islands, but over a large part of the globe. In powerful communities to-day

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freedom is derided, justice neglected and the rule of law interpreted as the rule of force. In those communities we see again what Maitland described as the characteristic of political development in the earlier middle ages—"it is unanimity that is wanted; it is unanimity that is chronicled; it is unanimity that is after a sort obtained. A shout is the test." There is only one effective answer to these revivals of a primitive political philosophy, and that is to place beyond question the virility and the perennial power of those principles in the faith of which we have been reared.

It is easy to write these words, but let no one imagine that to give them reality is a trivial or painless process. Material rearmament calls for the urgent application of new methods, for the refusal to tolerate departmental obstruction, for the transfer of responsibility for what are problems of engineering production from soldiers and civil servants to those who understand them. It means an end of excuses for inaction such as the fear of losing our export trade—as though exports were something that we could drag unscathed from the wreck even of our national existence. Moral rearmament demands a clear lead on the obligation of all citizens to personal service in some capacity and an organisation capable of creating confidence that such service will be promptly and wisely used. Above all, if the financial burdens inseparable from the effective defence of our ideals are to be met, it can only be through the infusion of new life and vigour into the trade and industry of this country and of its colonial empire. New life does not mean new subsidies, but the regeneration of industry from within, with the co-operation of capital and labour and such indirect encouragement as Governments can give. Organisation such as that existing in Germany and described elsewhere in this issue* is beyond our capacity and repugnant to our instincts, but we have in the relationship between employers and employed now freely established and maintained by consent over a wide field of industry an unrivalled foundation on which to build.

* See below, p. 84 *et seq.*

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Such a policy is not an alternative to a policy of appeasement, whatever meaning we may give to that term. It is indispensable to the survival of the nation in health and vigour. Without it we cannot hope to pursue appeasement or any other active foreign policy except with the certainty of humiliation. We are a peace-loving people, we like to settle our differences by reason and compromise, and we find it easy to forget that strength, moral and material, is a condition of all successful negotiation. We are conscious of no bitterness against the people of Germany, but of many affinities with them. We recognise freely that there was much in the Treaty of Versailles and in its application for which we must bear a part, if not the chief part, of the responsibility, that was neither wise nor just to Germany, and we suspect that this sense of injustice was a sentiment to which the National Socialist movement found it easy to appeal with effect. When, therefore, we see that Mr. Chamberlain by his visits to Germany was able to break down, if only temporarily, the barriers of ignorance and prejudice erected round its citizens by a paternal Government, when we learn that he obtained the signature of Herr Hitler to a joint declaration of a peaceful character, above all when we read the letters which all of us who have friendships in Germany receive, the old dreams are revived of a world in which the Anglo-Saxon and the German peoples confront the great tasks of civilisation together. It is an alluring prospect for which many Englishmen to-day are prepared to run great risks.

THE ROUND TABLE is convinced, not indeed that the prospect is a mirage, but that our hopes will betray us if we pursue it before we have convinced, not only the German people, but their rulers, of our will and our ability to defend the Commonwealth and the political ideas by which it lives. No liking or friendship for the German people ought to blind us to the fact that the Government of Germany is a despotism, and a despotism that professes and practises an aggressive philosophy poles asunder

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from our own. In the National Socialist party there are many opinions, but throughout its history on every matter of importance, whether it is the treatment of Jews, the quarrel with the Churches or the successive challenges to the European order created at Versailles, it is the more extreme view that has prevailed. In the last six months we have seen the absorption of Austria and the attack on Czechoslovakia, each following on public and categorical assurances that nothing of the kind was contemplated. This, surely, is no moment for negotiating from weakness or for concessions, under whatever pretence of justice, in the colonial or any other sphere, that may comport grave risks to the security of the Commonwealth. The only sure road to peace is to compel the respect of the rulers of Germany by proving that we are a strong, determined and regenerate nation. Whether peace will be followed by full friendship and unreserved collaboration must depend not on us but on the German people. They do not need to learn from Socrates the first part of the whole duty of the citizen—"He must do what his city and his country order him"; but can they fulfil the second—"or he must change their view of what is just"?

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I. THE EUROPEAN CHESS-BOARD

BY re-occupying and re-fortifying the Rhineland, Herr Hitler created a strategic barrier between France and her central and eastern European allies. The direct consequence of that re-occupation and of the breach between Italy and the western Powers was the German conquest of Austria: and that in its turn reduced Czechoslovakia to a hopeless strategic position. Although the Czech defences along and behind their mountainous, forest-clad German frontier were very powerful—so much so that in all likelihood they could have withstood direct German assault for two or three months, if not more—the *Anschluss* converted the whole western half of Czechoslovakia into one large salient. It also exposed to attack the region opposite Vienna where the terrain is favourable to an invader, being without natural defences and unprovided with adequate artificial fortifications. On the internal fringe of this terrain is the important industrial town of Brno, the main railway junction between eastern and western Czechoslovakia.* A double German offensive, with Brno as its objective in the south and Olomouc in the north, would have threatened to cut Czechoslovakia in half by a huge pincer-movement and to have isolated Bohemia and Moravia. After the *Anschluss* Czechoslovakia could hardly have withstood a German assault for more than two or three weeks. To be effective, therefore, intervention by the western Powers would have to be very rapid. But the growing strength of Germany's western defences was diminishing the possibility of swift intervention. It thus became more and more doubtful whether

* See maps below, pp. 224-225.

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the Czechoslovak forces could be saved from destruction, although it was conceivable that Czechoslovakia might be restored—as Serbia was in the great war—to her old frontiers, and even more, after the defeat of Germany.

The fusion between the German and Austrian armies and the changes in Germany's strategic frontier resulting from the *Anschluss* led to a regrouping of German army corps. Movements of German troops near the Czechoslovak border went on in April and May. Germany had long been preparing fortifications of a formidable offensive character along her pre-*Anschluss* frontier with Czechoslovakia. After the *Anschluss* these fortifications were extended as far as the Hungarian frontier. That Germany was, if not actually planning a campaign, at least putting herself in a position to invade Czechoslovakia, was evident even in the autumn of 1937, though it was clear that the *Anschluss* would have to come first; for the *Anschluss* was both an end in itself and a means to further expansion in central Europe and the Danubian area.

On March 24 the British Prime Minister in Parliament reviewed "the new situation". While refusing to give any prior guarantees, he uttered the warning, that if a German-Czech war broke out, "it would be quite impossible to say where it would end and what Governments might be involved". What did the British declaration mean to Germany? It meant that she could not, in the event of a war with France, resulting from a war with Czechoslovakia, count on British neutrality. Mr. Chamberlain's words, for all their studied moderation, revealed the reality of the gathering European crisis.

In May the movements of troops and the menacing attitude of the German press and wireless seemed to show that the German-Czech crisis might be taking a warlike turn. The Czechs found it necessary to mobilise and the British Government, well aware that war between Germany and Czechoslovakia might mean war between Germany and France, and that a Franco-German war could not leave

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Great Britain indifferent, made certain representations in Berlin during the famous week-end of May 21. The British Government never asserted (as some newspapers did) that Germany had mobilised or that she was about to attack Czechoslovakia. Indeed, it is fairly certain that she did not mean to attack during that period. But when the crisis seemed to abate soon after the British move, there was a widespread belief that Herr Hitler, having been "warned", had "climbed down". The Czechs demobilised and it seemed that war had been averted.

The truth was that, instead of climbing down, Herr Hitler intensified his military preparations—especially in the Rhineland—precisely because he had been made aware that he might have to reckon with Great Britain as well as with France. Despite the emphatic warnings received from that realistic observer, M. François-Poncet, the French Ambassador in Berlin, a limited optimism began to prevail in London and Paris. In Prague there was a tendency to believe that the German attack would not come before the spring of 1939: that it would come eventually was taken for granted. This view was, on the whole, shared in Warsaw, where central and eastern European affairs are always studied with great precision and insight, and sometimes with exceptional foreknowledge. The Poles—or at least the Polish Foreign Office—had long lost all belief in the survival of Czechoslovakia as an independent state.

Poland was, perhaps, the only Power who from the beginning faced the consequences of the re-occupation of the Rhineland. She was then prepared to invade Germany if France did so as well; but since France did not march, she drew the conclusion that the French system of alliances would break down and that the eastern European Powers would have to look after themselves. Consequently Poland endeavoured to promote the best possible relations between herself and Germany. It was Poland, too, who correctly gauged the strength of the Soviet Union. Although her eastern frontier is a long one and poor in natural

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defences, she is not afraid, in a military sense, of the Union, despite its immensely superior resources in men and material. The Poles have all along held that lack of communications, deficiency in rolling-stock, and general mismanagement would make it impossible for the Soviet Union to intervene decisively in a general European war. Even before the German-Czech crisis came to a head, the Poles prepared for a reorganisation of the eastern European order by promoting a close Polish-Hungarian *rapprochement* with a view to establishing a common Polish-Hungarian frontier after the collapse of Czechoslovakia.

To the Czechs, on the other hand, the situation appeared to be full of hope. In June and July the great Sokol Festival was held in Prague. The Sokols are athletic associations which, under the Habsburgs, were the chief carriers of Czech nationalism. They are affiliated to kindred organisations in other Slav countries and embody a certain pan-Slav tendency. Czech, Slovak, Yugoslav, and Rumanian Sokols greeted one another amid scenes of wild enthusiasm in the great stadium near Prague. It seemed that the Little Entente was more solid than had been supposed. Moreover, Mr. Chamberlain's statement in May, the repeated assurances given by France, the efficiency with which the Czechoslovak mobilisation had been carried out, the excellence of Czech war material, and the demonstration of apparent solidarity among the Powers of the Little Entente strengthened the spirit of national resistance in Czechoslovakia. The Czechs were ready and they would not (so they believed) fight alone—this was the general sentiment and it was constantly emphasised by that great optimist Dr. Benes.

In August the tension between Berlin and Prague rapidly increased. The German press and wireless worked up a violent anti-Czech agitation, alleging, in particular, that the Sudeten Germans were being brutally oppressed and victimised. The Sudeten German party, led by Herr Henlein and clandestinely affiliated with the

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German National Socialist party, gathered strength. It used various forms of pressure, such as economic boycott and dismissals from employment, in order to eliminate dissidents—especially the Sudeten German Social Democrats led by Herr Jaksch—and to lead all Sudeten Germans into one centralised organisation, which was really directed from Berlin.

The question whether the Sudeten Germans were badly treated by the Czechs is a contentious one. They were certainly not "oppressed" in the sense that the Ukrainians in Poland or the Jews in Germany are oppressed. Lord Runciman, in his letter to Mr. Chamberlain on September 21, wrote that "Czechoslovak rule in the Sudeten areas for the last twenty years, though not actively oppressive and certainly not 'terroristic', has been marked by tactlessness, lack of understanding, petty intolerance and discrimination, to a point where the resentment of the German population was inevitably moving in the direction of revolt". It must, however, be added in fairness to the Czechs that central and eastern European standards in the treatment of minorities are not those of western Europe, and that by the former standards, Czechoslovakia was a land of liberty and toleration.

The chief grievance of the Sudeten Germans was certainly a just one—namely, that they were not allowed their due share of official positions, so that the policeman, the postmaster, the magistrate, and so on, in purely German-speaking areas was often a Czech with inadequate knowledge of German and little understanding of the German mind and character. As for the prospect of a "revolt" in the Sudetenland, Czechs and Sudeten Germans had lived together in reasonable harmony for centuries. There was no question of revolt when the disabilities under which the Sudeten Germans lived were most severe, that is to say, in the years immediately following the great war, or indeed at any time until the rise of the Sudeten German party and the intervention of the Third Reich. There

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can be no doubt at all that the grievances of the Sudeten Germans were enormously exaggerated, above all by Herr Hitler himself, so as to encourage revolt and to make what was not originally "inevitable" appear—or even become—inevitable. Arms and agents were dispatched from the Reich into the Sudetenland so as to make revolt not only sure but successful. The general mass of adult Sudeten Germans never thought in terms of revolt; industrial labour was definitely against it and was, to a very large extent, more sympathetic to the Czechoslovak Republic than to the Third Reich.

II. THE MIND OF THE GERMAN PEOPLE

IT has been said repeatedly that the German people "do not want war". There is some truth in this statement, but it requires qualification. The dangers of the European crisis were not realised by the British public as a whole until towards the end of August, or even later. When were they realised by the German public?

The German political system is in itself warlike and there is—and has been all along—a widespread though not a general conviction in Germany that the system is one that makes war inevitable. There has been greater apprehension at the prospect of war in Germany than in any other country; for even among the Czechs the advent of war was, perhaps, taken too much for granted to be regarded apprehensively. There has also been in Germany a widespread and ardent hope that war would come. This hope has had a twofold origin. A great many young people, especially members of the S.A. and of the Hitler Youth, have lived—and still live—in hopes of a war that would avenge the defeat of 1918 and re-establish German supremacy in the world. It is not Versailles but defeat that is the essential German grievance against the western Powers. This hope has to some extent been nourished by Herr Hitler's book *Mein Kampf*, where war is glorified, for example, in the vivid words describing his overwhelming

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joy at the outbreak of war in 1914.* Militancy is strong in the Third Reich and is combined with fanatical devotion to Herr Hitler. To many Germans a war, no matter what its origin or its aims, would be a holy war.

Large numbers of Germans, especially of the urban working class, have hoped for war from an entirely different motive ever since the National Socialist dictatorship was established. Indeed, to many Germans, war has been the only hope of deliverance from that dictatorship, seeing that rebellion at home is impossible in peace time, while the defeat of the Third Reich by the western Powers would weaken, if not destroy, the régime, and so make possible the restoration of German liberties. The internal opposition to the dictatorship is certainly weak. The small, resolute remnant of the German Communist party has been decimated by confinement in prisons and concentration camps and by violent death. Many German Communists have also been arrested and imprisoned in Russia, while some have been deported to Germany.

Various groups of Social Democrats have maintained skeleton organisations in Germany, but neither they, nor the Communists, nor the so-called "Black Front", which is led by the *émigré* and former National Socialist, Herr Strasser, constitute an effective opposition. For all practical purposes, there is no political opposition in the Third Reich. Generally speaking, the German industrial workman sees and knows nothing of any underground organisation, nor has he any contact with active revolutionaries, nor does he receive "illegal" pamphlets or attend any secret meetings.

A good deal has been written about the opposition of the military commanders. But in fact it does not and never did exist. Individual officers of high rank have had their misgivings about Herr Hitler's foreign policy and the High Command has not always shared his views, but it was always with him when the hour of decision arrived, and the

* See *Mein Kampf* (1935 edition), pp. 176-7.

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German officer corps as a whole is devoted to him. True, there is a considerable body of conservative opinion that approves of Herr Hitler's policy and, even more, of his methods: the close resemblance between National Socialism and Bolshevism has not escaped the observation of many German conservatives. But there is no such thing as a "conservative opposition" in Germany.

Discontent, however, is widespread. Herr Hitler's Austrian triumph did not alleviate it. Enthusiasm soon died down after the event—the German masses are, very largely, bored with the succession of triumphs. There is a good deal of dissatisfaction among the peasantry, but they do not more think of rebellion against the rigid control of agriculture and dairy-farming exercised by the dictatorship than against bad weather sent by heaven. The two extremes

of German opinion remain—on the one side, intense enthusiasm for the ever-increasing greatness of Germany, combined with profound personal devotion to Herr Hitler, and on the other, a muffled rebelliousness that feeds on hope of the revolt and retribution that will only be possible after defeat at the hands of a foreign foe. Between these extremes there is the broad mass—without any doubt, the majority of the German people—who may be discontented, but who accept the régime and all it does.

The feelings of maturer industrial workmen are reflected in a letter received by the present writer from Westphalia at the time when war seemed very near:

There is no enthusiasm now, as there was in 1914. We all feel as though we were watching a funeral procession go by. . . . Let us hope that good old Chamberlain's efforts will succeed and may heaven save him from a great disappointment later on. Let us hope the removal of one dark cloud will not simply reveal even greater perils ahead. . . . As for ourselves, may a propitious destiny save us from the masters of the Third Reich.

A letter from a school teacher in Württemberg expresses the conviction that Herr Hitler is bluffing and the hope that the bluff will be called. A letter from an officer's wife, on the other hand, shows a sense of outrage at the

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maltreatment of the Sudeten Germans by the Czechs and a deep faith in Herr Hitler's goodness and in his determination and ability to establish the peace of Europe on a permanent basis.

In the Rhineland and on the Czechoslovak border, where warlike preparations could be observed by all, the dread of war was intense, though it does not seem to have led to any open discontent. In a few Rhenish factories there were executions of workmen, but it is not clear whether the German authorities merely anticipated open discontent or whether open discontent had actually broken out. Among the business community in the Rhineland there was a widespread feeling that Herr Hitler must be removed if he really threatened to plunge the country into war. In Berlin, the seriousness of the international situation was realised much less clearly than in the frontier regions.

In England and France there was a widespread belief that the German people would refuse to fight, that the German workmen would not march, and that French and British air raids on German cities would be the signal for popular revolt against the National Socialist régime. This belief would seem to be entirely erroneous. German workmen—including those who ardently desire the collapse of the régime—would certainly march in defence of their country, and as for air raids, they would create a deeper sense of national danger. The point of view of all thoughtful Germans must inevitably be that, if their country had been defeated, the end would have been not a second Versailles but a second Carthage. Moreover, in any war, all who might not want to march would be quickly terrorised into submission or exterminated.

Was Herr Hitler bluffing? The question will always remain controversial. The writer holds that he was not bluffing, that he meant what he said when he told Mr. Chamberlain at Berchtesgaden that he would invade the Sudetenland, even at the risk of precipitating a European

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war. In any case, as a matter of practical politics, the western Powers had to reckon with at least the possibility that Herr Hitler was not bluffing.

When the crisis was over, the relief that war had been averted was felt about as deeply in Germany as in France and England. The following passage in a letter from a German industrial workman is typical:

Friday's jubilation reverberates even to-day, Saturday. This jubilation was and remains genuine. It rises from hearts that are too full, hearts that were beating in fear and in distress during the last few days. . . . The Sudetenland? Yes, of course, that was the strip of territory on the frontier about which there was to have been a war, the strip that is now going to be ours. . . . Questions are asked: did this strip ever belong to Germany? Was it taken from us by the Peace Treaty? Why have the Czechs suddenly started persecuting the Germans? Why are our troops suddenly walking in, seeing that the Czechs are ready to give us everything without fighting? . . . How will Czechoslovakia fare now? And Poland and Hungary? Will there be a conflict over colonies also? What will happen in Spain? . . . There is one group who have followed events with sorrow—those who hoped that war would deliver them from the Nazi yoke.

In another letter there are expressions of regret that the German working class were unable to do their share in saving the peace of Europe, but they could not speak—

a careless word or gesture would have delivered them to the cruel executioners of the Third Reich, men who in their ruthlessness do not know mercy. . . . Tell the English people and the world, that there are millions of men in Germany who are in spiritual and personal bondage and long for the day of deliverance, the day when they will be able to co-operate with others in achieving the exalted ideal of brotherhood among the nations.

Those Germans who want a war in the belief that it will advance the glory and greatness of their country are more hopeful now than they were before, in so far as they see Germany in a much stronger position, and therefore better able to strike in the hour of her own choosing and with a greater prospect of success. But those who want war because they want the overthrow of the régime are less hopeful than they were, for they see the war postponed,

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even if it be inevitable, and see the chances of a German defeat steadily diminishing. On the whole, Herr Hitler's triumph at Munich has made him very much stronger at home, no less than abroad. It has certainly strengthened the resolve to achieve further triumphs.

III. FROM HOME RULE TO PARTITION

THE crisis showed Herr Hitler to be incomparably the ablest political strategist in Europe. He always manoeuvred so that his opponent was in the clear daylight while he himself remained in shadow or darkness until he was about to strike. The Czechoslovak Government had long been troubled by the threat of the Sudeten German party to stir up disorders that would lead to armed intervention by the Reich. But the party never said what it really wanted except in vague terms. Even the "eight points" of Herr Henlein's Carlsbad speech and the so-called "Kundt memorandum", submitted to the Czechoslovak Government in June, consisted of generalities that suggested home rule without defining its precise nature or its limits. The precision of detail in the Kundt memorandum is apparent rather than real.*

The Czechoslovak Government was compelled, under pressure from London and Paris, and through the mediation of Lord Runciman, to make proposals that were always specific. Herr Hitler's response to every proposal was rejection, or acceptance so qualified that it was equivalent to rejection, accompanied by military measures, press and wireless invective, and "incidents" staged in the Sudetenland, so that a new situation was created every time. Each situation was invariably denounced as "intolerable" in Berlin and therefore demanding a more drastic solution—a solution, that is to say, requiring new proposals more favourable to the Sudeten Germans than the old. But always there was the threat of a general war in case new proposals were not forthcoming. The Czechoslovak Government,

* See Documents Nos. 1 and 4, pp. 197, 199 below.

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always giving way to pressure from London and to the threat of war from Berlin, offered the Sudeten Germans as large a measure of home rule as was compatible with the territorial integrity of Czechoslovakia.

On September 12 Herr Hitler addressed the Nuremberg Congress and declared that "oppression must cease and self-determination must come". This was the first hint that home rule might not be enough. On the 15th he received Mr. Chamberlain at Berchtesgaden and, for the first time, demanded that the regions where the Sudeten Germans form the majority of the population must be united with the Reich. He was supported by Lord Runciman, who, in his letter addressed to Mr. Chamberlain on September 21, declared his belief in the necessity of "self-determination at once" and of "some cession of territory".* Lord Runciman's letter did not hint at the truth—which was but dimly apprehended at the time—that "self-determination" and "some cession" meant the end of Czechoslovakia as an independent Power.

Theoretically it would have been an ideal solution for Czechoslovakia to cede the regions with a German-speaking population. But those regions not only had economic ties with the rest of the country, ties that could not be severed without disastrous results, but they were also inside the main Czechoslovak defences. These defences were of great natural strength and could not be replaced by any others, both because there was no region of mountain and forest further back in the interior of the country, and because the German frontier—and therefore the German defences—would be brought within easy striking distance of Prague, Pilsen, Brno and other industrial centres, railway junctions and strategic points. As we have seen, the *Anschluss* reduced Czechoslovakia's power of self-defence by putting Germany in a position to turn the Czech "Maginot line". The Czechs might, in time, have given artificial strength to the region opposite Vienna in

* See Document No. 12, p. 203 below.

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the south, as they had to the so-called "Moravian gap" in the north. But with their Maginot line in German hands, they would, in the words used by the *Manchester Guardian* at the time, be "like a hermit crab without its shell".

Nevertheless, the Czechs were urged by the western Powers to accept this solution; and in fear that they would be left to face a German invasion unaided, despite their alliances with France and Russia, they submitted.

But Herr Hitler, in accordance with the strategy he had employed throughout, increased his demands. Mr. Chamberlain went to see him again—this time at Godesberg on September 22. In Mr. Chamberlain's own words, broadcast on the 27th, he then demanded that the Sudetenland "should be handed over to him immediately, and immediately occupied by German troops without previous arrangements for safeguarding the people in the territory who were not German". Mr. Chamberlain added that he thought "this attitude unreasonable".* These demands, usually referred to as the "Godesberg ultimatum", were accompanied by a map which disclosed their precise nature.† Indeed, for the first time it was made clear what Herr Hitler really wanted. The frontier claimed by him reached far beyond the borders of those districts where there was a Sudeten German majority and included so many points of industrial and strategic importance, many of them inhabited almost entirely by Czechs, that the intention, not only to unite the Sudeten Germans with the Germans of the Reich, but to secure complete domination, political, economic and strategic, over Czechoslovakia was plainly revealed.

The rest of the story is well known and need not be recalled in detail. The Godesberg ultimatum was rejected by the French and British Governments and a European war seemed inevitable. Herr Hitler then appeared to

* See Document No. 21, p. 218 below.

† See Map No. II, p. 225 below.

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weaken a little, in so far as he offered to postpone the German final mobilisation; and conversations were therefore resumed. On September 29 the Munich Agreement was signed.* Its terms seemed more favourable to Czechoslovakia than those of the Godesberg ultimatum, and it is possible that Mr. Chamberlain believed that he had really secured an improvement. But, in their practical execution, they amounted to very much the same thing—the more detailed execution was left to the so-called International Commission, composed of the representatives of France, Great Britain, Italy and Czechoslovakia, which sat in Berlin. The Commission merely took cognisance (with occasional objections) of the German demands, which were then carried out.

Czechoslovakia has now lost a large part of her territory, her population, her wealth and her industrial resources. She is completely defenceless, and will have to reorganise her whole political and economic system on a very humble—and chiefly agricultural—basis. She is being forced into close association with Germany, an association little different from vassalage.

The frontier between Czechoslovakia and Hungary was fixed by German-Italian arbitration on November 2, with Herr von Ribbentrop and Count Ciano presiding over the Arbitration Committee. Hungary received a population of nearly 900,000, of whom 100,000 are Slovaks and 90,000 Ruthenes. Carpathian Ruthenia loses her only two important towns—her capital, Uzhorod, and Munkacevo—her road and railway communications from east to west, and most of her mineral and agricultural resources. She has been reduced to an attenuated strip of largely barren territory that must be quite incapable of independent existence.

Poland has tried to realise her old aspiration of a common frontier with Hungary. Between them still lies the remnant of Carpathian Ruthenia. The Poles do not

* See Document No. 23, p. 221 below.

FROM HOME RULE TO PARTITION

want this remnant for themselves, because their own national minorities, especially the Ukrainians of eastern Galicia, who are akin to the Ruthenes of Carpathian Ruthenia, are so intractable that an increase in their number would intensify the danger of internal disruption in Poland. The Poles therefore wish the Hungarian frontier to be extended to their own, and not their own to the Hungarian. They would also like Slovakia to be an autonomous province within the frontiers of a "greater Hungary". For the time being, Slovakia and the remnant of Carpathian Ruthenia are provinces with an autonomy that loosens, without actually dissolving, their ties with the rest of Czechoslovakia. In Carpathian Ruthenia the executive is still mainly in Czech hands. It is likely that Slovakia (with the important town of Bratislava) will retain her present status. It now seems very doubtful whether Polish wishes with regard to the remnant of Carpathian Ruthenia will be satisfied.

One thing is certain—Germany is master of Czechoslovakia, and she has an unchallengeable preponderance in central Europe. The future status of all coveted or disputed regions will ultimately be determined by her. Hungary has acquired extensive and valuable territories, but her own independence is becoming problematic. Nor is it at all certain that Poland, Rumania, and even Yugoslavia can themselves avoid becoming vassals of Germany sooner or later.

OVERSEAS REACTIONS TO THE CRISIS

I. THE UNITED STATES OF AMERICA

THE effects of the post-Munich situation, which loom as significantly over the United States as they do elsewhere, are discussed at length in the American article in this issue of THE ROUND TABLE. The American reaction to the Munich settlement, like that in many other parts of the world, was one of deep immediate gratitude and relief which turned into bitter disillusionment.

The writer was lucky enough to be travelling in the mid-west during the entire crisis, making a survey of opinions and trends. During the whole summer, of course, Americans had been intently watching the gathering storm over Czechoslovakia. Newspapers had been full of the crisis; the radio hummed with news and views from the European capitals. Then, suddenly, came the British Prime Minister's flight to Berchtesgaden, and he carried with him the warm hopes for success of most Americans. Americans were excited and aroused by the bold step: they were prepared to recognise once more the extempore genius of British diplomacy.

Came the first dénouement—the Anglo-French plan for cession of parts of Czechoslovakia to Germany. Immediately an immense preponderance of American opinion roared disapproval: recognising, perhaps, that this American advice-giving rôle was an irresponsible and egregious one. Then came the interval before Godesberg—a period in which opinion in France and Britain, as in America, indicated that it would support (for what it was worth) a stronger line against Herr Hitler. Then

THE UNITED STATES OF AMERICA

Godesberg itself, and the news that Mr. Chamberlain had been horrified at the enlarged German demands. With his emotion, American opinion agreed emphatically. After Godesberg, and before Munich, Mr. Chamberlain was a hero in the United States. His little speech to the British nations—carried on almost every radio station in the United States—and his address to the House of Commons were fervently applauded here. Not since 1918 had British statesmanship stood so high in American opinion.

Next came Munich, with American opinion watching with high hopes. Came President Roosevelt's interventions, which were made with overwhelming support here. At this juncture, the United States would have accepted even stronger governmental action, and perhaps threats looking in the "quarantine" direction. And the announcement of "peace" evoked, in a degree, the relief and the letdown which meant so much more to the European peoples.

But when it appeared that at Munich Herr Hitler had really achieved the substance and perhaps more of the Godesberg demands, and that Czechoslovakia was being summarily dismembered without a reassuring European settlement in compensation, and that the power and might of Nazi Germany were now towering over Europe and even the world, then sharpest reaction set in.

One week after the Munich settlement, it would have been difficult to find representative newspaper support in the United States for the bargain that had been made. There was a good deal of sympathy with the plight in which Great Britain and France were landed. As to the inevitability of the plight, opinion was sharply divided. Some felt that at no time was adequate firmness shown to Hitler; others accepted the explanation that the military situation was hopeless for the democracies. The statement attributed to Colonel Lindbergh of the weakness of the Russian and strength of the German air forces did not greatly impress American opinion.

OVERSEAS REACTIONS TO THE CRISIS

Special writers in the American papers, like Mr. Walter Lippmann and Miss Dorothy Thompson, were almost without exception violently critical of the Munich settlement and the Chamberlain position. Day after day, they and the editorial writers and the American correspondents in Europe played up the brutal proceedings of the Sudeten Committee in Berlin and their application on the soil of Czechoslovakia. Daily, too, the newspapers and the radio stressed the loss of moral authority and prestige which Great Britain was declared to have suffered. And American opinion, having a steady diet of this sort of thing, spurred by its own natural sympathy with the little nations, felt an isolationist revulsion that has not been matched since 1920. Still to this day people are inconsistently grateful that war was averted, even though they complain bitterly at the price.

Meantime, the effects of Munich in this hemisphere are being worked out by the American Government. Actual relations between the Government and Downing Street have not been impaired by the sentiments of public opinion, exacerbated as they are by reaction and passion. There exists in the State Department, as well as in certain distinctly limited quarters of informed opinion, a genuine sympathy with the appeasement policy and a real comprehension of Mr. Chamberlain's difficulties. As time goes on, it may well be that this understanding will replace the immediate disillusionment and that, on balance, the American people will find a place somewhere half-way between the positions of Mr. Winston Churchill and of the Prime Minister. A plea for such understanding was recently made in a leading article in *The Christian Science Monitor* no doubt a step or two ahead of public opinion, in these hopeful and wise words :

It should be plain that bitter criticism of Britain's course will not now serve the common interest. Surely it is unjust for those who have been unwilling to risk even a small measure of co-operation in defense of democracy to indulge in thoughtless remarks about those who have stood in the front lines. And

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it is unwise when the need for co-operation is increasing. If there is need for understanding and appeasement as between the dictators, clearly there is need as between the two greatest democracies. We believe the American people are making an effort for such understanding and that as they come into closer touch with the situation in Europe, events will carry them—within certain limits—to a more active co-operation with Britain.

Soon after these words appeared reassurances were published that the Anglo-American trade agreement was surviving last-minute threats and was practically ready for signature. On a basis of this agreement, embracing a bigger trading area than has been tied into the American market in Secretary Hull's seventeen previous agreements, American public opinion may well find its way to a new understanding of British policy. And the democracies may have taken the first step toward the redemption of the post-Munich world.

United States of America,
October 1938.

II. INDIA

IN February last the Indian National Congress passed a resolution at Haripura deploring the tendencies of British foreign policy, which were declared to be encouraging Fascist aggression in Europe and the Far East and leading to war. The resolution proceeded :

India can be no party to such an imperialistic war, and will not permit her man-power and resources to be exploited in the interests of British Imperialism. Nor can India join any war without the express consent of her people.

This statement was more academic than practical, since at the time there was no immediate threat of war. As the European situation deteriorated through August and September, political leaders began to consider the position of India more seriously. During debates on army recruitment and defence in the Central Legislative Assembly, the Congress party leader, Mr. Bhulabhai Desai, stated

OVERSEAS REACTIONS TO THE CRISIS

categorically that it would be impossible for India to be party to any war in which Britain might be involved, because to support Britain would be to support the Power which kept India in subjection. Mr. Jinnah's Muslim League group was more cautious, but rigorously objected to India being involved in any war, or to Indian troops leaving home shores, without the country's consent.

While matters in Europe went rapidly from bad to worse, the Working Committee and the All-India Congress Committee together with the Premiers of Congress-governed Provinces met in Delhi. Pandit Jawaharlal Nehru from London devoted himself to telling India of Czechoslovakia's courageous resistance as a democratic country to the dictates of force, and from the Haripura resolution it followed that Congress sentiment would favour such resistance. Mr. Gandhi, however, further confused the issue by his increasing and strongly expressed devotion to non-violence in word and deed. Finally, the Working Committee decided to remain in session pending developments, and procured authority from the All-India Congress Committee to deal with any situation. It passed a resolution expressing sympathy with the Czechs, although it is by no means certain that the Congress would have translated this sympathy into action in the event of war. One is entitled to conclude that the matter was deliberately left vague so as to allow freedom of action to suit the exigencies of changing circumstances.

Several Congress leaders were undoubtedly loath to let slip the opportunity to drive a constitutional bargain with Britain in the event of war, and although Mr. Gandhi denied the intention, his own ideas of non-violent support to the Czechs were rather above the heads of many of his more practical colleagues. The imminence of war naturally required precautionary measures. Even before the public realised how serious a turn international affairs had taken, the Defence Department of the Government of India had been examining the emergency organisation. Special steps were taken to provide liaison with other Departments

INDIA

of Government, and programmes of procedure to meet any constitutional contingency were drawn up. More was done, it is claimed, in six weeks to rehabilitate the machinery of security than had been done in the past twenty years. From that point of view the experience gained was regarded as a blessing in disguise.

Nor were Provincial Governments indifferent. Whatever views or decisions might be adopted by the All-India parties, the autonomous Cabinets, particularly of those Provinces with vulnerable seaboard and ports, did not neglect their responsibilities. Anxious enquiries were made of the Home and Defence Departments of the Central Government as to what local administrations were expected to do and when they should do it. Even in Congress circles Ministers at least did not seem to anticipate any abrupt departure from office or opposition and obstruction in respect of emergency measures. Any question of bargaining about federation or about the control of defence was left strictly to the discretion of the Congress "High Command". The Muslim League officially took no line on the issue until afterwards, when practically the only reference was a somewhat crude warning uttered at Karachi about the possibility of India's Muslims being forced to imitate the Sudeten Germans in turning to outside aid for the protection and assertion of their rights.

Meanwhile the traditionally loyal and martial elements had rallied unhesitatingly at the first hint of danger. Led by His Highness the Maharaja of Bikaner, some seventy of the Princes early informed the Viceroy that the forces and resources of their States were at the disposal of the King-Emperor. The Premier of the Punjab, Sir Sikander Hyat Khan, made a similar declaration on behalf of the Province from which comes the greatest proportion of the Indian army. It is probably true also that war was not an unattractive proposition to many agricultural districts, hopeful of the economic effects.

OVERSEAS REACTIONS TO THE CRISIS

In general, the interest taken in the course of events was widespread, but objective. There was little or no thought of the position of India should hostilities break out: a sense of detachment and remoteness persists. Yet there was ample discussion of the rights and wrongs. At first the journeyings of Mr. Chamberlain evoked reserved approbation; but not so the final settlement at Munich. The Indian-owned press unanimously condemned "a peace at the cost of justice" and the "betrayal of a democracy into the arms of Fascism".

India,

October 1938.

III. IRELAND

SPEAKING in Geneva as President of the League of Nations Assembly on September 30, the day after the Munich Agreement, Mr. De Valera declared that the nations had been brought to the edge of a precipice and had shrunk back, appalled by the ghastly aspect of what they saw in the abyss. As a matter of fact, no country had more to fear from that vision than his own, for none of those likely to be involved was less prepared. One has only to look at the map to realise that Ireland could not remain neutral in a major war in which Great Britain was engaged. Even if an Irish Government declared its neutrality and this status was recognised by the belligerents—a large supposition in itself—the pressure of events would quickly drive Ireland into the vortex. Inevitably and at once Great Britain's purchases of food supplies from Ireland would increase because of the enormous advantage to be derived from proximity. Our great natural harbours would also very soon become essential bases for the British fleet and air force engaged in protecting the western approaches to Great Britain against combined submarine and air attack. Such an attack, it cannot be doubted, would be fiercely made even in the early stages of a war.

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Moreover, the great progress of aviation since the last war has made Ireland easily accessible to the aircraft of any hostile continental Power, and though this island might not at first be worth their attention, it would inevitably become so as the struggle developed. Dublin—which is the bottle-neck through which Irish food supplies would pass to Great Britain and the chief distributing centre in the country—would then become an obvious target. The Shannon electric power-house at Ardnacrusha would be another tempting objective.

Unfortunately the Irish public has not been prepared for these possibilities, although the danger of a European war has been obvious to informed opinion for some time. The Irish Government itself, although it should have been fully alive to the situation, had apparently formulated no definite policy for adoption in the event of war. Speaking in the Dail on July 13 during a debate on external affairs, Mr. De Valera admitted that the Government had no considered policy on defence save that it had no commitments and would keep out of war if it could, but he agreed that owing to the withdrawal of the British garrisons from our harbours we were now in a position to approach the whole question from a new angle. In fact, when the international crisis came to a head in the middle of September, the fortifications at Berehaven and Lough Swilly had not yet been evacuated and the process had to be completed in haste, thus placing an additional strain on our small military establishment. At the same time the sum of £10,000,000, which the Irish Government under the London Agreement undertook to pay before November 30, was paid over to the British Government.

Our regular army, which is insufficiently equipped but efficient, has an establishment strength of approximately 600 officers and 6,000 men; but this is supported by a non-permanent volunteer force of doubtful military value, at present numbering on paper about 16,000 men. The air force consists of only two squadrons. These forces would

OVERSEAS REACTIONS TO THE CRISIS

obviously be inadequate to deal with any serious attack from the sea or air, and could only hope to operate successfully in combination with the British navy and air force. By themselves they could not for long prevent a major Power from using Ireland as a base for attacking the western communications of Great Britain.

Those in authority here apparently believed that in the event of war it would be possible to make a bargain with Great Britain by which the residual powers now exercised by Great Britain over Northern Ireland would be handed over to the Irish Government in exchange for its active support.* Such a belief would not long have survived an attempt to put it to the test. Its inevitable failure would not only have embittered relations between the two countries, but would have presented the extreme elements both here and in Northern Ireland with a splendid excuse for making trouble.

As soon as the crisis arose, Miss Mary MacSwiney, one of our most consistent Republicans, was not slow to point out in letters to the press that Mr. De Valera was wasting time and money wining and dining at Geneva, instead of leading the small nations in a crusade against the imperialist designs of England, which sought to maintain the partition of another country and to help Russia in spreading Communism. She demanded that we should remain truly neutral and help neither England nor her enemies. If, she said, Mr. De Valera thought he could make Ireland safe for England, he would have a rude awakening.

It was not only in the military and political fields that we were totally unprepared. No attempt had been made to provide an A.R.P. organisation, and no provision had been made for reserves of food or petrol. It was only at the eleventh hour that schemes were improvised to deal with these essential matters.

On the other hand there was every indication that the Irish Government was in close consultation and complete

* For further reference to this proposal see p. 115 below.

IRELAND

accord with the British Government during the entire crisis. This was clear from Mr. De Valera's meeting with Sir Thomas Inskip, the British Minister for the Coordination of Defence, on September 8 in London when on his way to Geneva, from the constant visits of Mr. Dulanty, the Irish High Commissioner, to Downing Street throughout the crisis, from Mr. De Valera's messages to Mr. Chamberlain approving of his efforts for peace, and from the fact that he called on Mr. Chamberlain when returning to Ireland on October 5. In an interview with Reuter on September 16 he warmly commended Mr. Chamberlain's visit to Herr Hitler and said that, whilst no one who knew the situation could deny that a just solution was difficult to find, good will on both sides would recognise this and, realising what another world war would mean, would try to find the best solution possible in the circumstances. Finally on September 27, when war seemed inevitable, he wired to Mr. Chamberlain the following message of encouragement,

Let nothing daunt you or defeat you in your effort to secure peace. The tens of millions of innocent people on both sides who have no cause against each other, but who are in danger of being hurled against each other, with no alternative to mutual slaughter are praying that your efforts may find a way of saving them from this terrible doom.

Public opinion in Ireland almost unanimously approved of Mr. Chamberlain's attempts to secure peace and hailed his success with relief and gratitude. Many people were inclined to criticise Mr. De Valera for being absent from Dublin at such a critical time, but, having been elected President of the League Assembly on September 12, it is difficult to see how he could have returned to Ireland until its deliberations were concluded. At the opening meeting of the Assembly Mr. De Valera dwelt upon the agony of war and the almost invariably unjust character of war settlements. He urged them to lend their moral support to all those who strove to find a just and peaceful solution for the immediate international difficulties. In conclusion

OVERSEAS REACTIONS TO THE CRISIS

he expressed what proved to be a prophetic hope, that when the Assembly closed, the immediate dangers would have passed and a beginning been made for the eventual calling of a peace conference upon the basis of justice which the peoples of the world wanted, and which was possible before a war, but scarcely ever possible after one.

During the debate on sanctions, Mr. Hearne, on behalf of the Irish delegation, made it clear that, until a satisfactory system of collective security was established, the Irish Government reserved to itself the right to determine who was an aggressor, and would not involve itself in any obligation to take action on the basis of the League's decision alone.

Unfortunately Ireland cannot remain a disinterested and aloof spectator of the European drama. Our position, our history, and our ideals all forbid such a solution. Nevertheless, as Dr. T. F. O'Higgins, T.D., the brother of our great statesman Kevin O'Higgins, has recently pointed out in a powerful letter to the press on October 8, our Government, almost alone in Europe, was totally unprepared to meet the crisis. It had no policy, no plan, no suitable defence equipment, and no gas masks. Just on the eve of the possible outbreak of war officers and civil servants were sent in a panic to London to purchase aeroplanes, anti-aircraft guns, and gas masks, which were, of course, almost impossible to obtain. Our only sure shield against attack was, in fact, the British navy and air force. It is to be hoped that we shall not be left in this fool's paradise, for it may well be that the evil day has only been postponed.

Ireland,

October 1938.

IV. CANADA

THE events of September in Europe were so startling and unprecedented, and the various crises succeeded each other with such bewildering rapidity that the task of

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analysing the movement of opinion in a North American community three thousand miles away from the seat of the trouble is not an easy one.

As regards the background of these events, Canadians generally speaking were very ill-informed on the Sudeten German minority question, and though the "near-crisis" of May 21 following so closely on the annexation of Austria, gave a clear warning of what was to be expected, the country was undoubtedly bewildered by the turn which events so suddenly took in early September. It was quickly realised that the chief issue was not the question of justice for the Sudeten Germans, but the infinitely more serious one of whether that problem was to be settled by force or the threat of force. Of such a solution there was the same universal detestation here as in England. As in England, too, there was inexpressible horror at the thought of war and corresponding relief when peace was assured. As regards the course taken by the British Government, there was, with negligible exceptions, a universal belief that it was to be explained in terms of a disinterested love of peace and a determination that recourse to war to settle a question which had already been settled in principle should be avoided at all costs. In other words, there was little disposition, as in certain quarters in England, to suspect Mr. Chamberlain and his colleagues of undue friendliness to dictators or undue belief in the desirability of maintaining dictatorships in Europe as a bulwark against Bolshevism. The chief criticism, from "die-hard" League of Nations adherents like the *Winnipeg Free Press*, and from the Left generally, was that this crisis was the logical and inevitable result of the failure to live up to League principles in dealing with the Manchurian, Abyssinian and Spanish crises, and that those principles had been betrayed once more in that a flagrant aggressor had been permitted to triumph.

But of course the interesting question is not how Canada felt, but what she was prepared to do. It will be recalled

OVERSEAS REACTIONS TO THE CRISIS

that, so far as the Government was concerned, it remained silent until Mr. Chamberlain made his broadcast statement on September 27, and then announced its complete agreement with his statement that war over the question of the procedure to be followed in working out a settlement which had been agreed upon would be grotesque, but that an attempt to dominate by force or the threat of force should be resisted. This presumably meant that if war had come in spite of the British, French and Czechoslovakian agreement to the application of the principle of self-determination and Britain had been drawn in, the Government would have recommended to Parliament that Canada should support her.

In these circumstances two questions arise—first, why did the Government remain silent so long as it did? and second, when it spoke, did it speak the mind of the Canadian people?

As regards the first question, it must be recognised that the question of participation by the side of Britain in a European war is a highly controversial one in Canada. It is not merely that the percentage of British in the population has sunk to 50, and that the 50 per cent. non-British (33½ per cent. being French and the remainder European, American, Jewish and Oriental) have no racial or sentimental tie with Britain. Moreover, even among the British half of the population there is less and less trace of the old "colonial" attitude that Canada's duty was to fight for Britain. The country will fight, just as will any other country, only when it feels its vital interests are at stake, and it will be because it feels that Britain is fighting for a cause in which Canada believes. Canadian attitudes should be analysed from this point of view. Several groups holding variations of it may be distinguished:

1. Vociferous imperialists—their number is decreasing—who believe every British cause is automatically a Canadian one and that Canadian interests will be defended by unquestioningly accepting British policy wherever it may lead.

2. The great mass of English-speaking Canadians, who believe that British influence has stood on the whole for law, order, and decency in the world, and that despite any criticisms which may be levelled at British imperialism, the maintenance of British power and prestige are matters of essential importance to Canada. They appreciate the extreme difficulties confronting British statesmen, but they are puzzled by the apparent vacillation of British policy. They are willing to accept the fact that the British Government would not until the last moment commit itself to fight for Czechoslovakia, but they do not see why Canadians—or Americans for that matter—should be criticised for similarly refusing to commit themselves to fight automatically in a European quarrel.

3. A scattering of English-speaking isolationists, who believe that Canadian interests can never be served by supporting English policy in Europe. Their number has been decreased if anything by the crisis.

4. The French-Canadians who approach the question of Canada's participation in a war in which Britain has become involved from an entirely different angle. In addition to dominating Quebec, they are numerous and influential in New Brunswick, Ontario, Saskatchewan and even Alberta. Their starting point is that the sole duty of the citizen is to Canada, and that military action by Canadians should be limited to the defence of their own country. Thus, the support of Quebec for last year's very moderate increase of expenditure on the country's equipment for war was only secured by representing it as intended strictly for defence purposes.

As regards the remaining 16 or 17 per cent. of the population, there is no particular link with the Mother Country, and the tendency is for a North American, isolationist attitude to be adopted.

In these circumstances, it is not difficult to understand the hesitation of the Government to make any clear-cut declaration of policy prior to September 28. Its problem

OVERSEAS REACTIONS TO THE CRISIS

was clearly very different from that of the Governments of Australia and New Zealand, with their homogeneous British populations. To many Canadians both of the Right and of the Left it seemed highly regrettable that at a time when it appeared that Canadian support might have been helpful, Canada's voice was not heard. Could not the Government, without breaking its pledge to consult Parliament before taking the country into war, announce its intention of recommending to Parliament that Canada should stand beside Britain if Herr Hitler turned his back on reason and chose the course of violence? The Government presumably felt that, however helpful might be the support of a united Canada, a disunited Canada would be of no assistance to Mr. Chamberlain in preventing war, and of diminished value to the Empire in waging war if war should come. It will be admitted that the first duty of a government which is faced with the possibility of war is to take its people into the war as united as possible, and in the present case there was sound reason for believing that for the Canadian Government to have announced a policy of giving Mr. Chamberlain a blank cheque would have been to precipitate violent dissension within Canada. On the other hand, it was no doubt in the mind of the Government that an actual state of war would at once vastly strengthen the attitude of those already favouring participation and tend to silence the dissenters. It was presumably for reasons such as these that the Canadian Government kept silent, and it would be difficult to say that its decision was unsound.

The second question then arises: when it spoke did it speak the mind of Canada? From what has been said it follows that, so far as the imperialists of the Right and the trades unionists, collectivists, socialists, and communists of the Left are concerned, there was complete agreement with the Government's course. At that stage, and especially after Mr. Chamberlain's broadcast, there was widespread, though withal sad and sober, willingness to

CANADA

follow Britain if war came. Thus the *Toronto Star*, which is by way of speaking from the Left, had "no doubt whatever that Canada, as a member of the British Commonwealth of Nations, would join with the Mother Country in prosecuting such a war to a successful conclusion"; and the same view was taken, almost without exception, by the English-speaking press throughout the country. As for French Canada, it is impossible to be dogmatic. While there was little or no demur to the Government's declaration of complete agreement with Mr. Chamberlain, the statement of policy, it is impossible to know what the French-Canadians regarded as the implications of that declaration. Certainly it would be rash to assume that French-Canadian silence signified approval of a Canadian policy of active participation in the war that might come. And at least one influential French-Canadian journal has been saying since Munich that the British Empire has obviously fallen from its high estate and that the logical course for Canada is to draw away from a political organisation which has had its day. On the other hand, at a recent meeting of a Catholic Youth organisation in Quebec, there was all but carried a resolution condemning aggressors in the strongest terms and advocating collective action to put them down. Then, too, there is the fact that the French-Canadian leaders in federal politics were parties to the Government's declaration, which presumably means that they felt confident of being able to carry their people with them if war came. Finally there may be some significance in the fact that the French-Canadians made no move to suggest following the American precedent of passing neutrality legislation.

As regards the remaining 16 or 17 per cent. of the population—that is northern, southern and eastern Europeans, Americans, Jews, and Orientals—a fair percentage of them have become assimilated and would go with the majority, and in any case they do not constitute a compact, homogeneous, and vocal group as do the French-Canadians.

OVERSEAS REACTIONS TO THE CRISIS

Enough has perhaps been said to show how difficult it is to know what "the mind of Canada" was, and is, on the question of participation in a war of the kind which has just been avoided. While there can be no reasonable doubt that Parliament would have approved the recommendation of active participation which the Government presumably would have made if Britain had been drawn into such a war, it does not follow that the whole-hearted support of the French-Canadian third of the population should have been counted on, particularly if the Canadian contribution took the form of sending troops to fight overseas.*

GoveCanada,
be th October 1938.

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V. AUSTRALIA .

if wa would be misleading to speak of "Australian public duty opinion" on the Czechoslovak problem during the period of the negotiations, for there was no united, unambiguous national attitude to the crisis, although its phases were followed in an agony of suspense. Some of the organs of public opinion adopted a definite line throughout, but newspaper and other comment mostly reflected the apprehension and indecision of the ordinary citizen, who felt that events were moving in a direction that he dreaded, under the impulse of forces of which he had no control and little understanding. The basis of this confusion was to be found partly in a limited knowledge of the problems of central Europe, and the absence of statements by Australian politicians which might have given a definite lead to public feeling, or indicated the proper rôle of Australia in the crisis. Even in retrospect, the solution of the crisis appears to some as the answer to prayer, and to others as a work of the devil. The most positive effect of the whole episode on public opinion is the marked renewal of attention to two problems—namely, national defence, and the rôle of Australia in British foreign policy.

* For an examination of the probable effects of the crisis upon Canada's foreign policy in the future, see below p. 149 *et seq.*

AUSTRALIA

Although the general level of education in Australia on international affairs has been steadily rising in recent years, the problems of Czechoslovakia remained a closed book to most Australians. Vagueness as to the boundaries of Czechoslovakia, and how the name should be pronounced, were coupled with complete ignorance of the centuries-old conflict between Slav and German in Bohemia. On the other hand, the probable expansion of Germany under Herr Hitler's leadership had been a matter for frequent comment and discussion.

In view of the general expectation that the Nazi Rally at Nuremberg on September 5 would be the occasion for a critical decision by Herr Hitler, the Commonwealth Government, on September 2, cabled to the Government of the United Kingdom, stating that it "strongly supported the policy set out" in the speeches of Mr. Chamberlain and Sir John Simon, on March 24 and August 27 respectively.

The United Kingdom Government was also informed (Mr. Lyons later told Parliament) that the Commonwealth Government urged that the Government of Czechoslovakia should not delay in making a public announcement of the most liberal concessions which it could offer, and that representations should be made to the Czechoslovak Government with a view to securing an immediate public statement of such concession.

As the situation deteriorated, the general tenor of press comment was that the decision as to whether Europe should be plunged into war lay with Herr Hitler. It was with astonishment that Australians learned of Mr. Chamberlain's dramatic flight to interview the German Führer at Berchtesgaden on September 15, and the press united to praise this "courageous and inspired act of statesmanship". The *Sydney Morning Herald*, which, in the curious company of the extremely radical *Labour Daily*, has been advocating a firm line in dealing with dictators, was at pains to argue that Mr. Chamberlain's step did not betoken any weakness in Britain's attitude; indeed, that it provided the opportunity to make it clear to Herr Hitler that Britain would not stand aside if France were involved in war, despite Herr von

OVERSEAS REACTIONS TO THE CRISIS

Ribbentrop's scepticism on this point. The rest of the press, however, did not go so deeply into that issue.

The publication of the Anglo-French proposals, involving the cession of large areas of Czechoslovakia, came as a painful shock to most Australians; Lord Runciman's letter of September 21 was not made public in Australia until September 28, and even then received little attention. The *Sydney Morning Herald* was frankly hostile to the proposals and regarded them as a blow to British honour and prestige. The *Labour Daily* quoted them as proof of Mr. Chamberlain's love of Fascism. But the remainder of the Australian press repudiated the criticism of the British Prime Minister which their cables recorded. "It is to be noted", wrote the *Brisbane Courier-Mail*, "that the most bitter criticism outside Czechoslovakia is offered by those whose words are weighted with least responsibility."

It is difficult to estimate the extent to which editorial comment reflects or, on the other hand, influences public opinion. Nevertheless, it seems certain that there were substantial groups in the community whose views were represented by these newspaper opinions. But in addition there was a large group which felt doubtful as to what its attitude should be, and was certain only of one thing—namely, that the Czechs would not accept such drastic proposals. When they did accept, their action was applauded by all sections of the community for its nobility, although the probability that it was a concession to British and French pressure tempered enthusiasm. Then, as Godesberg followed Berchtesgaden, and hopes for a peaceful settlement faded, the pros and cons of the Anglo-French proposals became less important than the question of Australia's rôle in the likely event of war. Most of the press proclaimed that the nation would stand solidly behind Britain, but a discordant note came from some important Labour circles. Mr. Lang had already declared the attitude of his section of the Labour party in New South Wales, on September 16. "Our people", he said, "are determined

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that Australia must be kept out of European wars at all costs. The Labour party must prepare itself to organise the Australian people against participation in a European war." Mr. Forgan Smith, the Queensland Labour Premier, said he was opposed to all dictatorships, but would not support a war outside Australia. On September 27, the Federal Labour leader, Mr. Curtin, declared in Parliament that the Labour movement would oppose any move to send an Australian force overseas. The industrial wing of the movement, however, both in Sydney and in Adelaide, had demanded a declaration by Australia "of support for Czech independence against Fascist aggression and for peace by collective security", the policy adopted by the *Labour Daily*. This led the *Sydney Morning Herald* to find gold where it had never previously thought of searching.

The real heart of the Labour movement lies, we may feel, not in Mr. Curtin's vain cry for a stay-at-home policy, but in the attitude of the Labour newspaper in Sydney, whose "reply to Fascism's threat of war is to offer wholehearted support to Great Britain in a stand for democracy, liberty and collective security".

Herr Hitler's ultimatum to the Czechs was to expire on September 28 at 11 p.m. (Sydney time), and Mr. Lyons chose this hour for his first Parliamentary statement since the crisis entered the acute stage. His review of events, which received scant attention in the press, was described by Mr. Curtin as "a most extraordinary anti-climax", providing "no additional information". But the Prime Minister did table the text of the documents that the British Government had published.*

The following day brought news of the proposed Four Power meeting at Munich, and Mr. Lyons disclosed to Parliament that, prior to the announcement of the Conference, the Commonwealth Government had urged that Signor Mussolini be asked to make a personal appeal to Herr Hitler, and offered the services of the Australian High

* See Appendix below, p. 203 *et. seq.*

OVERSEAS REACTIONS TO THE CRISIS

Commissioner to fly to Rome with a personal message from Mr. Chamberlain to Signor Mussolini. Mr. Chamberlain had intimated "that he was at the moment considering action of this nature". Mr. Lyons further assured the House that the Commonwealth had been kept fully informed of Mr. Chamberlain's negotiations and added, "We have made such suggestions as we believed would be helpful, and which we believe have been helpful at various stages of the dispute".

Meanwhile, the State Premiers had been hurriedly called to Canberra for a Premiers' Conference, but within a few hours of their arrival news came through that the Four Power Agreement had been signed. The criticism of the settlement came from many angles. Some deplored this latest defeat for democracy; some saw a mere postponement of a war less escapable and more horrible because of its postponement; some felt conscious of a betrayal of Britain's honour.

The centre of interest has now passed to the problems that remain. The future of Britain as a world power, Australia's rôle in British foreign policy, the defence of Australia, and her attitude towards refugee immigrants.

Some reflection of current opinion may be found in the debate in the Commonwealth Parliament on October 5, following the tabling of the text of the Munich Agreement. Mr. Curtin again expressed astonishment at the paucity of information from the Commonwealth Government regarding its policy during the crisis, and repeated the official Labour view that Australians should not be recruited for service overseas in time of war. But he drew the moral that "we need to do more in ensuring the impregnability of Australia against attack", and advocated co-operation between all Australian governments "in respect of the civil and industrial side of defence". Speakers from both sides of the House supported this. Mr. Menzies, the Attorney-General, aroused interest by a speech in which he said that Parliament in the past had "had rather too little discussion

SOUTH AFRICA

of foreign affairs", and that while Australia should not set up an independent foreign policy of her own, we should nevertheless "have minds sufficiently informed and sufficiently strong, positive and constructive, to be able to say useful things at the right time to the Government of the United Kingdom". He suggested that there was a trend in this direction. Mr. Menzies also stated again the view that Australia could not be neutral if Britain went to war, but that Australia could nevertheless decide the extent and form of her participation in the war.

Another point was raised on October 6, when the Minister for External Affairs was asked in Parliament whether Australia had been approached concerning guarantees of the new Czechoslovakian frontiers. Mr. Hughes replied in the negative and added that the Government did not intend "to take any part in the matter". But there is still some uncertainty as to what this would imply if Britain had to act to protect Czechoslovakia's frontiers, and the problem of Australia's rôle in British foreign policy is not yet settled.

Australia,
October 1938.

VI. SOUTH AFRICA

WHAT would be South Africa's position in the event of Great Britain being involved in war? It might have been expected that the local reactions to the recent European crisis would have facilitated an answer. In fact, the issue is hardly less obscure than before. The controversy as to whether South Africa as a sovereign independent State can or cannot be involved in war, even as a passive belligerent, save on the authority of its own Parliament, and the complementary question of the degree of South Africa's participation (if any) in a war in which Great Britain was engaged, have been debated with growing earnestness as the crisis developed.

OVERSEAS REACTIONS TO THE CRISIS

For some time now the main Opposition party, the Nationalists, have been pressing for a declaration of South Africa's neutrality in any war that may break out. On the other side, the Dominion party, standing as it does for the conception of South Africa as an integral indivisible part of the British Empire, has declared that South Africa must pledge in advance its full active support to Great Britain in any war, and to that end must participate in a general scheme of imperial defence.

It was against this background of party strife, and at a time of increasing menace in the European outlook, that the general election took place in April and May of this year. On that occasion and since, the Government has had to assure the predominantly Afrikaans-speaking countryside that there was no real danger of South Africa being drawn into Britain's wars, while at the same time satisfying British sentiment in the towns of its essential good-will towards Great Britain.

On two occasions (the second being on August 25) Dr. Malan, the leader of the Nationalist Opposition, challenged in Parliament the public declarations of General Smuts that South Africa would promptly and of her own volition come to the aid of Great Britain in the event of war, and in view of the European situation, pressed for a clear statement of Government policy. Beyond a guarded repetition from General Smuts (given as being merely his personal view of what would happen), no such statement was forthcoming.

On the last day of the session, September 24, the morning after Godesberg, Dr. Malan returned to the charge. The situation was then most menacing; war seemed to be merely a matter of days. He insisted that Parliament should not rise without a clear statement of the Government's policy in the event of war. This time the Prime Minister replied. Again he affirmed his refusal to answer a hypothetical question. He still expected that there would be no war. After emphasising that the

repeated assurances by General Smuts that South Africa would stand by Great Britain were specifically intended to apply to an aggressive attack on Great Britain herself by which she was endangered, he said in reply to an interjection that he would agree with that, "if only because South Africa was a member of the League of Nations. As if our obligations under the League of Nations had ceased to exist!"

On this note the Parliamentary session closed, and South Africa entered the last week of September, not only gravely depressed by the threatening war-clouds, but considerably bewildered as to what its Government's attitude would be if war came. It seemed clear that, despite past differences of opinion, the Government would be united in the view that South Africa would not automatically be at war if Great Britain went to war, that no decision would be taken without first summoning Parliament, and that in the meantime South Africa would be regarded as neutral. This would of course at once have raised all manner of difficult questions pending the meeting of Parliament, as, for instance, in regard to the internment of "enemy" subjects, the status of British ships in Union ports, and the right of the British fleet to remain at Simonstown. Moreover it would profoundly have disturbed a large section of the English-speaking people of South Africa. Some members of the Government might well have found their position untenable.

But while that much was clear, it was by no means evident what the Government would have advised Parliament to do in the event of Great Britain having associated herself with France and Russia against Germany in defence of Czechoslovakia. The Cabinet met in Pretoria on the morning of September 28, the day of Mr. Chamberlain's announcement of the decision to hold the Munich Conference. It appears to have come to no decision as to its attitude, save that Parliament would have to be summoned if war broke out. It would seem, then, that one of the

OVERSEAS REACTIONS TO THE CRISIS

incidental effects of the Munich agreement was to save the South African Cabinet from the threat of disruption and the Union from the development of an exceedingly delicate political situation. The opportunity of exploiting that situation was being awaited with avidity by the Nationalist Opposition.

South Africa, then, had special reasons for relief and satisfaction when it learnt that peace had been saved. As the situation developed the desire for the maintenance of peace came more and more to be its dominant interest. There was a certain amount of feeling for Czechoslovakia as a small State threatened by a powerful neighbour, and not obtaining the support it had been led to anticipate from its allies. There was, on the other hand, a tendency for Afrikaans-speaking South Africans who had fought for their own language and cultural rights to sympathise with the Sudeten Germans. Mr. Neville Chamberlain's efforts in the cause of peace were naturally followed with sympathy and good-will. To-day that is still the majority view, but there has come into existence a considerable body of criticism and questioning, and there is much uneasiness as to the future. There is a deep-rooted feeling that Czechoslovakia was in effect betrayed by those in whom she had been led to put her trust; there is a sense of revulsion at the thought that the mailed fist of the dictators has again prevailed to so large an extent; there is considerable scepticism as to the value of Herr Hitler's assurances and the prospects of an enduring peace being indeed secured; there is a tendency to emphasise the contradiction between Mr. Chamberlain's acceptance of those assurances and his insistence on the necessity of intensifying the policy of rearmament.

But what comes nearest home to South Africa is the question of the Colonies. The ground has been prepared for Germany to raise the question—it is clear that soon she will raise it. The reference in Mr. Chamberlain's first speech in the House of Commons to the matter caused

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keen apprehension. Many people in South Africa fear more than anything else the prospect of Germany—especially Nazi Germany—being installed again on their borders in South-West Africa. Therein they are actuated not merely by considerations of their own security, but also by the thought of the possible plight of the men and women of South African birth who have gone to the mandated territory, and outnumber those of German birth by two to one. Moreover South Africa fears hardly less a Germany installed within bombing distance in Tanganyika. On several occasions the suggestion has been mooted, especially by Mr. Pirow, that Germany's claims might be satisfied somewhere else in Africa. But this of course would involve sacrifice by another Power which would have its own interests to consider, and Germany in its present mood is not likely to be easily bought off. If Germany is to press its claim to Tanganyika, will Great Britain be disposed to concede it, and what influence could the Union exert to prevent it? If Germany is to demand South-West Africa, what support can the Union expect in resisting the claim? These are questions agitating many minds in South Africa to-day.

It is therefore not entirely to be wondered at that people in the Union are now beginning to think that the Czechoslovakian issue was not so remote and abstract from the South African point of view as until recently they believed it to be.

South Africa,
October 1938.

VII. NEW ZEALAND

THE crisis found New Zealand a few weeks from a general election that was being fought with unusual keenness, and the campaign went on virtually unaffected while the fate of civilisation visibly trembled in the balance. The last session of Parliament closed “in a spirit of good

OVERSEAS REACTIONS TO THE CRISIS

will", and the Leader of the Opposition offered his collaboration in the event of war. But as it was the fight never slackened. The crisis seemed to affect the campaign in one notable direction only: that certain attempts were made to capitalise for Nationalist party purposes the fear of war and the relief that followed the Munich Agreement.

There was no doubt, however, of the keen interest and anxiety with which New Zealanders responded to the crisis. As never before, it was possible for them to follow developments, for Daventry news-bulletins were recorded and re-broadcast over the national network. These broadcasts were eagerly awaited, and the significance of each item was keenly discussed. Moreover, the Government made the interesting move of publishing the correspondence relating to the crisis as a government paper simultaneously with its publication in London. Geographical isolation freed New Zealand from the fear of immediate personal disaster which hung over European city-dwellers, but there was no lack of appreciation of what war would mean, nor was there any question that if Great Britain were to be involved, New Zealand would be too. This assumption was the background of New Zealand's thought about the matter, and was expressly defined by the Government on behalf of the whole country. The Cabinet faced the crisis calmly and temperately, and the pronouncements of the Minister of Defence, in particular, inspired a great measure of confidence that much had been done to meet in advance the technical problems that would be bound to arise with the outbreak of war.

During the depression our defence organisation was whittled away, and little provision was made for expansion later on, or for active co-operation with other members of the Commonwealth. With the deterioration in world affairs since 1935, it was natural that attention should have been paid to general problems of strategy and war-time economics, as well as to strengthening the three fighting

NEW ZEALAND

arms.* So far as is known, the crisis did not lead to any important changes in policy or in the disposition of armed forces, but the Minister and his colleagues made it quite clear that the efforts made in recent years to build up administrative machinery to deal with a sudden emergency had not been made in vain.

Sea communications are of course of vital importance to New Zealand. Consequently the Prime Minister assured the public more than once that all plans worked out by the Council of Defence had been based on the principle that there should be the closest co-operation between the Dominion and the United Kingdom, not only in the organisation and operations of the armed forces, but also in the sphere of war-time economic organisation.

Public reaction to the crisis was hard to gauge. The cable news of course dominated the centre pages of the press, though it is curious that what was printed was sometimes notably less detailed and complete than the news broadcast by Daventry. During the crisis expression of opinion was almost entirely lacking. Leader-writers gave a small proportion of their space to the Czech situation, but they generally treated it in a curiously detached way. They did not discuss whether or not the Commonwealth should in this instance propose collective action on behalf of the Czechs. The New Zealand Government had previously (and in the early stages of this crisis) made clear its general policy that the Commonwealth should stand for collective security,† and about the middle of the year there had been some signs that New Zealand's apparent willingness to differ from Great Britain on problems of foreign policy might be taken up by the National party and made an election issue. But this was soon dropped. In the Czech crisis there was scarcely a suggestion in the press that New

* See THE ROUND TABLE, No. 112, September 1938, and *Contemporary New Zealand* (New Zealand Institute of International Affairs and Oxford University Press), 1938, Chapter 15.

† Cf. *Contemporary New Zealand*, Chapter 12.

OVERSEAS REACTIONS TO THE CRISIS

Zealand might have a policy, or that if war came it might involve the whole country, Labour and Nationalist alike, in a common ruin. After the Munich Agreement, the predominant note in the press was relief, but there was a certain undercurrent of criticism, based on doubt of the justice and expediency of surrender to the threat of force in such a case. In the phrase of the *Christchurch Press* on October 7—

In Europe to-day truth is being overwhelmed by lies, reason by passion, freedom by tyranny and justice by the will of the strong.

But the newspapers have avoided discussion of possible means by which this state of things might have been prevented in the past or might be altered in the future.

The press, then, gave no definite reflection of considered opinion on the underlying problems, nor (so far as can be judged) was there any consensus of opinion about those problems among the public. If any New Zealanders sympathised fully with Germany's policy, their voice was not heard, but many felt that the Sudeten Germans had grievances which should be remedied. Many more asked, "Why should we fight for the *Czechs*?" without analysing too closely the reasons for their doubt. There was a strong body of opinion in favour of collective action against aggression, even though it might precipitate war. But some, deeply impressed by the horrors of modern warfare, argued that a war postponed may be a war averted. There was, again, a small section of opinion that would have seen a war on the Czech issue simply as a struggle between rival imperialisms. But these were private debates, and neither the press nor the politicians attempted to lead opinion. In a sense, leadership was unnecessary, for there was virtual unanimity on the obvious practical conclusion: that in war New Zealand would follow Britain whatever the immediate occasion of war might be. In times of peace, New Zealand has evidently claimed and exercised its right to form and stand up for its own

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views on foreign affairs. In this time of crisis, however, the Dominion made no concerted attempt to form an enlightened public opinion on the problems that had produced the situation. Events moved so fast and so mysteriously as to stun the mind, and to render futile (if not to forbid) public discussion of why these things should be.

New Zealand,
October 1938.

THE AGENDA

I. THE AGENDA

THE SYDNEY CONFERENCE

IT was while the delegates to the first unofficial conference on British Commonwealth Relations, held in Toronto in 1933, were on their ways homeward that Germany denounced the Disarmament Conference and resigned from the League of Nations. It was while the delegates to a second similar conference, held near Sydney in September 1938, were on their ways homeward that there came the moment of extreme tension over Czechoslovakia. This combination of circumstances, though accidental, was most significant, since that phase in world affairs was associated with an uneasy, transitional phase in British Commonwealth affairs. The Sydney Conference, taking stock of developments in Commonwealth relations since its predecessor met, looked back on many difficulties and disagreements, arising for the most part out of the degeneration of international affairs. Most of the members of the Toronto Conference * had found in the collective system the main unifying element in the foreign policies of the British Commonwealth nations; they were prepared to rely on common obligations under the League Covenant even to solve the awkward problem of Dominion neutrality. Since the breakdown of sanctions over Abyssinia these formulæ had manifestly been broken reeds, and the policies of the different nations of the Commonwealth seemed to be in danger of drifting apart. The problem of Dominion neutrality now appeared all the more urgent in that an actual outbreak of war seemed only just round the corner.

* See *British Commonwealth Relations* (Proceedings of the Toronto Conference). Published by the Oxford University Press for the Royal Institute of International Affairs.

IT was not, of course, the primary purpose of the Sydney Conference * to look back, but forward to the future; and although it met at a moment of grave crisis, it did not give its time to discussing the specific problem of Czechoslovakia, which it could do nothing to solve. The gravity of the crisis nevertheless added to the realism of its debates, and undoubtedly affected the current of discussion on some important issues. The exact dates of the Conference were September 3 to 17; that is to say, it fell between Sir John Simon's speech of August 27, giving warning of the likelihood of Great Britain's being drawn into any war over Czechoslovakia, and the emergence of the Anglo-French plan for the separation of the Sudeten German districts. It was an interval of growing solidarity among the democratic and peace-loving nations, which was later interrupted by divisions over the Anglo-French plan, restored by the firm resistance to Herr Hitler's Godesberg proposals, and again shaken by the divergent reactions to the Munich settlement. It is well to bear these dates in mind in reviewing the work of the Sydney Conference.†

The scheme planned by its organisers for the discussions started from a consideration of the various national interests of the member nations of the Commonwealth, and of the policies arising from them. It was felt that the really important problems of British Commonwealth relations, especially in foreign policy and defence, had been obscured by the habit of thinking of the Dominions in the lump, as if their national circumstances were all the same, and as if they differed from the United Kingdom only in being Dominions, new and smaller partners as distinct from the original and largest member of the Commonwealth. This

* See THE ROUND TABLE, No. 110, March 1938, p. 272.

† A report of the proceedings of the Conference under the title *The British Commonwealth and the Future* is to be published shortly by the Oxford University Press under the auspices of the Royal Institute of International Affairs.

THE SYDNEY CONFERENCE

habit encouraged a belief that the solution of such problems was to be found in general formulæ, rather than in a study of practical interests. The particular national interests of the several Dominions are plainly not the same; in some respects they differ more widely from each other than from the United Kingdom. They lie in different continents; some have problems of internal race divisions which others are spared; some are relatively secure, others relatively insecure, in a turbulent world. According to the agenda of the Sydney Conference, these various national interests and objectives were analysed in written preparatory papers, and reviewed at the early sessions of the Conference itself.*

The next process in the scheme was to examine how far these national interests were common interests, shared with other member nations of the Commonwealth; how far they were identified with the Commonwealth connection, or, on the other hand, ran counter to it. The drafters of the agenda felt that if the Commonwealth connection implied a sacrifice of national interests that were strongly grounded and keenly felt it could not long endure, since it would be built upon sand. Then the Conference was invited to consider, in the light of this examination, to what extent Commonwealth co-operation ought to be based on a uniform plan for the whole Commonwealth, to what extent it could be based on bilateral or group understandings, in which not all the member nations would participate. The Conference next proceeded to discuss the particular content of national and common policies, in foreign affairs and defence, in a search for the maximum of co-operation possible in the conditions that had been revealed. There was a parallel discussion on economic co-operation.

* A number of the more important preparatory documents have been published:—*Canada To-day*, by F. R. Scott (Oxford University Press, Toronto); *Australia's National Interests and National Policy*, by H. L. Harris (Melbourne University Press); and *Contemporary New Zealand* (Whitcombe and Tombs, Ltd., and The Oxford University Press).

NATIONAL INTERESTS AND DIFFERENCES

Finally, under the heading "The Future of the Commonwealth as a Co-operative Organisation", the Conference addressed itself to this question—whether there emerged from its discussions

any fresh conception of the Commonwealth arising from a re-assessment of the historical and constitutional factors in the light of the present interests and national composition of the individual countries forming the Commonwealth?

This question, the key to the Conference's whole work, might perhaps be expressed in this way: what comes after Dominion status, and what progressive development can be built upon it, now that full formal equality has been achieved?

II. NATIONAL INTERESTS AND DIFFERENCES

HAS full formal equality actually been achieved? Clearly it has still to come for India, nor did the Indian delegates to the Sydney Conference fail to remind other delegations that their country was not yet fully responsible for the conduct of its own affairs, and that its citizens were not treated even formally as equals throughout the Commonwealth. Newfoundland, "the Dominion on ticket-of-leave", also had its spokesman to recall that some day responsibilities must be restored to the people of that country. These special cases apart, however, it became clear at the Conference* that the achievement of formal equality, if not yet complete, was not obstructed by opinion in the United Kingdom, but by obstacles within the Dominions themselves. Thus although the British North America Act (the constitution of Canada) was reserved from the operation of the main clauses of the Statute of Westminster, it was reserved at Canada's request, and no amendment to it that was desired by the people of Canada

* The Conference was precluded by its rules from expressing any corporate opinion on any of the matters under discussion. Nothing in what follows, therefore, must be taken as conveying the views of the Conference or of an ascertained majority of its members.

THE SYDNEY CONFERENCE

would be opposed by the Imperial Parliament. Similarly, if Canada wished to abolish the appeal to the Privy Council it is clear that no finger would be lifted in London to prevent her from doing so. The reasons why such desires are not expressed lie in the internal politics of Canada.

Even with regard to the claim, put forward by some Dominions, to a right of neutrality in wars involving other members of the Commonwealth, the initiative does not lie with the United Kingdom but with the Dominions themselves. It is for them to secure, if they so desire, a re-examination of the constitutional position. Their hesitations to act in this way are not due to brow-beating by the United Kingdom but again to their own political conditions. Certain of them, notably Ireland, have indeed declared through their elected leaders that they assume a right of neutrality; yet they have not been regarded as therefore outside the Commonwealth. If further evidence of legal equality of status were needed it could be found in the Dominions' legislation following the abdication in December 1936; for it was by their own separate parliamentary or executive acts that certain of them provided for the new succession, and the dates at which King George VI acceded to the throne differed in different parts of the Commonwealth.*

Practical equality is very different, as the Balfour report acknowledged in its famous antithesis between status and function. Practical equality is indeed inaccessible. Nothing save a wholesale redistribution of population can alter the fact that the United Kingdom is a great Power, a world Power, while all the other member nations of the Commonwealth are in size and influence small Powers, with their interests strongly focused in limited regions, and with their security dependent on the aid of some great Power or Powers. Within the foreseeable future of national populations, only India has the physical capacity to take her place with Great Britain as a second world

* See THE ROUND TABLE, No. 106, March 1937, p. 247.

NATIONAL INTERESTS AND DIFFERENCES

Power within the British Commonwealth, and her ability to do so depends on political and economic eventualities which it would be hard to forecast.

That contrast between a world Power and small Powers was outstanding in the reviews of national interests and policies with which the discussions of the Conference were launched. It cannot be eliminated by any adjustments of status or of machinery for co-operation. It means that the primary responsibility in foreign affairs and defence has to remain with the United Kingdom, except possibly in certain regions where her interests are secondary or at most on a par with the primary interests of some Dominion. All plans for co-operation or for closer union have to take into account the same contrast, which is an enduring hindrance to the smooth progress of British Commonwealth relations. For, as a delegate at Sydney pointed out, top-heavy federations in which one member is much larger or more powerful than the others are under a grave handicap, and even voluntary co-operation among unfederated states gives rise to irritation when the largest partner must as a rule take the initiative. One delegate to the Conference expressed this irritation by asking whether, when people from the United Kingdom spoke of co-operation, they really meant co-operation or merely acquiescence.

The contrast has a special application in the field of defence. Because its interests and responsibilities—moral and material—are world-wide, the United Kingdom must display world-wide strength in order to maintain them. The chief instrument through which this has hitherto been done is the Royal Navy. The cloak of this world-wide power naturally covers the Dominions, which have thus been able to concentrate on their local or strictly regional defence, without even entering into alliances or defensive pacts with their neighbours. According to the resolutions of successive Imperial Conferences, each Dominion assumes responsibility for its own local defence; but the United

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Kingdom assumes in addition a much wider responsibility, a collective responsibility. This is based, indeed, on her own national interests, but it is also entirely in accordance with the national interests of the Dominions, which are thereby relieved of much of the defensive burden that would otherwise fall on them as small nations in a predatory world. It was pointed out, for instance, at the Sydney Conference that whereas three Dominions are mandatory Powers there is no chance of their having to meet a direct challenge from Germany, demanding the return of her former colonies, so long as the United Kingdom still faces Germany in Europe and so long as the power of the British navy remains paramount in the oceans in which those Dominions lie.

But this is not the only important contrast between different members of the Commonwealth that was disclosed by the preliminary studies of national interests. There is a clear contrast between countries divided internally by race or language or national origin, like Canada and the Union of South Africa, and those with the good fortune to have homogeneous populations. Internal divisions of that kind have a profound effect on external attitudes. They tend to produce a paralysis in foreign policy, since an active policy pleasing to one group is commonly assailed by the other, and since the maintenance of national unity must always be a prime objective. Such divisions, certainly, tend to inhibit co-operation with other members of the British Commonwealth, even when it can be shown to be in the national interest. Other internal cleavages—religious, geographical, economic—have important reactions on external policies. The British Commonwealth is diverse enough in the particular interests of its member nations, even if they are regarded as homogeneous units; when the internal divisions of each of them are also remembered, it will be recognised how extremely difficult is the problem of finding and upholding a common foreign policy to which they will all adhere.

Still another vital distinction is that between the relatively

COLLABORATION AND CO-ORDINATION

secure and the relatively insecure countries of the Commonwealth. National security must in any case be a matter of degree; there is no such thing as absolute security. But there is a great gap between, say, Canada, sheltered by two great Powers, having only one neighbour with whom she is on permanently pacific terms, while being insulated by broad oceans from any other foreign country, and, say, Ireland, a European country, a natural vantage point either for the defence of Great Britain or for attack upon her, or New Zealand, a small State isolated in the Pacific Ocean, guarded by sea power to which she can contribute only a small fraction. The relatively insecure countries of the Commonwealth are anxious to co-operate in foreign policy and defence because they recognise their fate to be bound up with that of the whole Commonwealth. Nowadays they are not in the least ready to follow wherever the United Kingdom may lead, but if they can lead the United Kingdom they know they must in the end be led by her. The attitude of the relatively secure countries is different. Their willingness to co-operate is always qualified by their fear that co-operation may implicitly commit them and therefore involve them in conflicts that do not concern their own national interests: at the same time their relative safety enables them to indulge in criticism of the earth-bound foreign policies which their more vulnerable fellow members are obliged to pursue. These traits were not absent from the discussions at Sydney.

III. COLLABORATION AND CO-ORDINATION

ALL this is enough to show that Commonwealth co-operation in foreign policy and defence is no easy matter to achieve, and that the organisers of the Sydney Conference were right in suggesting that uniformity is impossible. Co-operation may be of two kinds: collaboration and co-ordination. There are some countries of the Commonwealth that do not feel themselves able to go beyond co-ordinating their policies with those of their

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fellow members, especially the United Kingdom; there are others for whom this is not enough, in view of the close identity between their national interests and those of their fellow members. It is surely unwise to insist that the first group should co-operate in the same way as the second, since that involves the risk either of a revolt of their public opinion at home or else a dangerous disappointment when the collaboration is put to the test. It is equally unwise to aim no higher than co-ordination of policies for some members simply on the ground that certain other members are unable to go beyond it. Again, member nations may be able to "collaborate" in some aspects of public affairs, while they can only "co-ordinate" in others. The British Commonwealth must be protean in its forms of co-operation if it is to survive as an association of independent States.

The Sydney Conference produced some important discussions on co-operation in defence, in which these ideas took concrete shape. A service expert put forward a plan for decentralised co-operation, based on the concept that no country can be expected to contribute to a common defensive cause save as a by-product of its own national security. The same is true, of course, of other branches of co-operation; no country can be expected to subscribe to a common foreign policy save as a by-product of its own external interests. When the perils and horrors of modern war are concerned, idealism is not enough, and patriotism is not enough. The defence expert's proposal was that each member country of the Commonwealth should work outwards from its own national defence problem, making a whole region the subject of its defensive studies. It was not suggested that any Dominion was capable of assuming the whole responsibility for the defence of any region, or that it should extend its efforts and its liabilities further than it believed to be necessary for its national safety. But instead of taking for granted that its regional defence was amply provided for, through the all-pervading power of the United Kingdom, it should seek to ascertain where and

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how its available resources for defence could be most fruitfully applied, and how it could best co-operate with friendly foreign neighbours—Canada with the United States, Australia with the Netherlands East Indies, South Africa with the Portuguese as well as the British colonies. The project must be considered in the light of three new factors in British Commonwealth defence: the rapid mobility and concentrated striking power of air forces, the great importance of industrial capacity and other economic elements in defence, and the fact that the assembly, transport and deployment of a large mass army is almost certain to prove impossible for the countries of the Commonwealth, at least at the outset of any future world war. If the project were adopted, said its author at Sydney, each Dominion would become more fully responsible for its own defence, and thus we should have a real Commonwealth.

Responsibility is the inwardness of status and the key to freedom. The inner problem of British Commonwealth relations to-day is how to realise in practice the responsibility that has already been granted in theory to the several member States. Those who proposed that the Dominions should, if they wished, declare to foreign Powers that in a war involving the United Kingdom or other member nations of the Commonwealth they might be neutral, at their own will, did so in the belief that responsibility in foreign policy could not be real or complete unless that right of neutrality had been fully established. Separate responsibility must always be limited by material factors, but only in the same way (though perhaps in a higher degree) as it is limited for the United Kingdom herself. Who does decide the issue of peace and war? asked a United Kingdom delegate at Sydney, when Dominion spokesmen had alleged that the issue was in effect decided for them in London. May we not, he continued, be drawn into a war by the policy of France, with whom we are associated in a defensive alliance which is much closer in some respects than our relations with the Dominions? Again, there is

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a distinction to be drawn between those Dominions which feel themselves to be tied, for better or for worse, for peace or for war, to the fate of the United Kingdom and their fellow members of the Commonwealth, and those who do not share that feeling. Responsibility in foreign policy and defence has a different meaning for each of these groups. For a Dominion in the first group, it must mean responsibility for bringing its full influence to bear on the policy of the United Kingdom on long-term issues or at critical moments, rather than responsibility for conducting a distinct and perhaps divergent policy of its own.

But whether co-operation takes the form of collaboration or only co-ordination one thing is clear: in day-to-day affairs there can be no common policy jointly conducted, and no sharing of responsibility, unless and until federal institutions replace the present form of the Commonwealth. This is true for two reasons: first, because the short-term objectives of foreign policy are national objectives—one member of the Sydney Conference described them as the protection of the interests of each country's own nationals—and secondly because decisions have constantly to be taken, on great issues or less, without time for elaborate consultation even with the national Cabinet, let alone with the Ministers of countries situated thousands of miles away. Therefore the root of co-operation is the adoption of a common long-term objective, followed by the maximum of collaboration or co-ordination of policies in working towards it.

It was clear from the discussions at Sydney that the long-term objective cannot be found within the British Commonwealth itself. There were some who said that all nations of the Commonwealth had a supreme interest in keeping Great Britain strong, or in promoting the strength of the British Commonwealth itself; but others then asked—as electorates are wont to ask both in the Dominions and Great Britain or the Commonwealth—for what purpose the strength of

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be used. The Commonwealth, it is certain, cannot find within itself sufficient inspiration even for its own being. It must look beyond its own limits to an international end, a moral purpose. This common purpose was expressed in different ways at the Sydney Conference: some identified it with peace, some with the preservation and enlargement of freedom, some with the equality of all peoples and races, and the brotherhood of man. The phrase around which debate crystallised was the establishment and defence of a world order. A world order means different things to different minds. To one delegate at least it meant nothing less than a world government. To others it implied reverting to the Covenant of the League. Some thought that the policy of appeasement was on the road to it; others urged a return to the path of collective security. Clearly the member nations of the Commonwealth will have to take much more common counsel before they can express their long-term objective with one voice and in such a way as to point the broad lines of immediate policies for each of them. But the principle cannot be shaken, that the unifying objective of the British Commonwealth cannot be found within itself, but must be found in the service of all humanity.

The discussions at Sydney on the economic aspects of co-operation suggested a similar conclusion. It was argued that self-sufficiency was an illusion either for the whole Commonwealth or for any member of it, and that common purposes in defence indicated no fruitful line of economic co-operation, since they implied either greater national protectionism or else the canalisation of trade in the strategically safest channels, which might not be Commonwealth channels. Nor was there much support, it seemed, for the view that preferences were valuable in themselves because they strengthened the Commonwealth ties and therefore served its political and strategic ends. Instead, there was much discussion of the objective of world freer trade, and how it could be secured by way of the preferential

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system. The Ottawa system was described without contradiction as an emergency device, suitable to the circumstances of 1932, but not necessarily suitable to those of 1938. Once more the objective was sought in something wider than the Commonwealth itself; once more, too, there were many different opinions about the way in which the objective should be furthered: whether, for instance, by way of an invitation to foreign countries to share in preferential benefits on terms, or by way of the gradual whittling down of preferences in the interests of world freer trade and a higher standard of living for all nations.

IV. THE FUTURE OF THE COMMONWEALTH

DOES there emerge, then, from these considerations, as the Conference asked itself, a fresh conception of the Commonwealth and of its functioning in the future? It will not be a Commonwealth with rigid or homogeneous institutions for the conduct of its common affairs or for co-operation between its member nations. There will be different forms of co-operation, sometimes even less intimate than at present, while for some countries or in certain aspects they will grow closer until something akin to federalism may emerge through organic evolution. By maintaining a variety of flexible institutions for co-operation, the Commonwealth as a whole will be able to gain from each member nation its fullest contribution to the common cause, given freely on the strength of national interests and from a foundation of national responsibility. The common cause will be found, not in any selfish or exclusive ambition, but in an objective of world-wide welfare. The working out of this objective will not be simple, nor can unanimity be always expected, since the circumstances of the various member nations and the degrees of their interest in this or that area or issue differ so widely.

As time goes on, new problems will no doubt force

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themselves to the front both in the internal affairs of the British Commonwealth and in its relations with the rest of the world. The increase of its own number of self-governing nations, through the advance first of India and then of other countries now in a dependent position, will raise extremely difficult questions. Problems of racial status will inevitably become more and more prominent. There was a foretaste of this development at the Sydney Conference in the Indian delegates' repeated denunciation of the barriers placed by the Dominions in the way of Oriental immigration. That is typical of the questions that will have to be faced if the Commonwealth is to continue and is to serve its professed objective of a world order. At present, European dangers force themselves most urgently on our notice, but the time may come when inter-continental and inter-racial conflicts will seem far more pressing and far more momentous for the Commonwealth. A great responsibility lies on the Commonwealth in this field, since it is the original home of the doctrine of trusteeship, and is about to enrol among its own equal and self-governing members an Oriental nation. If the smooth progress of race relations cannot be secured within the Commonwealth, it is scarcely likely to be feasible on a still larger scale. The British Commonwealth, by way of India, Burma, Ceylon and other Oriental countries within its borders, may yet prove to be the indispensable bridge between the civilisations and the power-complexes of West and East. The Commonwealth is indeed a microcosm of the world, and it is no lapse from international idealism to regard the Commonwealth as a vitally important instrument of progress. The very fact that an assembly like the Sydney Conference can be held—an entirely frank yet friendly discussion of national interests, of differences as well as agreements—is proof of the vast value of the Commonwealth in a world of hatreds, suspicions, and the smothering of free thought and free speech.

DRIVE FOR AMERICAN UNITY

I. THE AFTERMATH OF MUNICH

THE United States, like the rest of the world, is now busy adjusting itself to the post-Munich situation. Effects here (quite apart from reactions, which are treated in a separate section) * have been profound and continuing. First, we have in prospect a great armament expansion. The naval building program is being expedited. Mechanization of the army, expansion of the air force, mobilization of national electrical power resources for an emergency, and dozens of other unprecedented practical stages in organizing the nation for national defense are now under serious advanced study. Second, President Roosevelt is leading a crusade for national unity—for healing the breaches and subduing the passions of the past six years which have kept the nation turbulent and divided—as an essential step “to make democracy work”.

Concluding his most significant talk of recent times—a radio address on the “Struggle for Peace”, on October 26—the President said :

Let us work for greater unity, for peace among the nations of the world, for restraint, for negotiation and for community of effort. Let us work for the same ideals within our own borders in our relations with each other, so that we may, if the test ever comes, have that unity of will with which alone a democracy can successfully meet its enemies.

These were not empty phrases. To those who have followed the workings of Mr. Roosevelt's mind since the Munich settlement, they embodied a profound reorientation

* See p. 28 above.

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of policy. The new viewpoint was best expressed a few days earlier in an authorized interview in the *New York Times*, in which the following paraphrase of the new policy was given :

Whether or not the most militant phase of the New Deal ended with the unsuccessful interventions in the Democratic primaries last summer, it can be said that a period of pacification is beginning. The new efforts to conciliate business and reconcile the differences of the C.I.O. and the A.F. of L. are not merely a pre-election gesture. They are the outgrowth of the European crisis and the settlement made at Munich, but not in the sense in which the President's statement to that effect has been interpreted. Europe's plight brought home to Washington the urgent necessity of internal unity and the consolidation of forces in the United States. The tense weeks of crisis convinced Mr. Roosevelt not only that the first defense of democracy is strength on the home front, but also that if a new synthesis of interests and energies is required to save representative government it must be worked out in this country.

Thus “making democracy work” within the United States becomes the first essential of American foreign policy, since the prime objective of that foreign policy is to preserve democracy in the world. In re-dedicating himself to this task, the President could have taken one of two widely different courses. He could have donned his shining armor again and gone forth to battle against what he calls the fortresses of privilege. He could have plunged again into the temper of the Supreme Court fight, which, along with the sit-down strikes, were the atmospheric prelude to the 1937-38 slump. He could have gone on the war-path. But instead of choosing this course, he began to stress pacification and national unity. He spoke with new patience and resignation of “the American way” of achieving reforms slowly and painfully. He was, in short, in a mood which American observers had never seen in him before. That was the effect of Munich on the American President.

But if the President's attitude to his domestic opposition, in the field of business, has become conciliatory, that is

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not true of his attitude toward the authoritarian Governments. The new armament policy has been aired in headlines at every possible opportunity, and when the details eventually emerge around the first of the year, it will probably be seen that the United States is making itself an all-round military Power basically second to none. To put it graphically, the American Government is now in the mood of the British Government in September when the trenches were being dug in Hyde Park! The United States is seeking primarily to defend the Western Hemisphere from Fascist aggression. Already there has been much German, Italian, and Japanese penetration. Washington is now trying to keep this economic and cultural invasion from turning into spheres of influence which would overthrow self-government in the Americas. As the President said in his October 27 speech:

We are determined to use every endeavor in order that the Western Hemisphere may work out its own interrelated salvation in the light of its own interrelated experience.

On December 9 at Lima, Peru, the Eighth Pan-American Conference will meet, with Secretary of State Cordell Hull prominently present and perhaps President Roosevelt as well. This meeting is intended to furnish the forum for the United States to attempt again to consolidate American sentiment and action against all forms of overseas penetration. Manifold attempts to lay the foundation are under way: new trade contacts with Latin America furnishing of military experts to the smaller countries by the United States, short-wave and regular radio broadcasts pumping the United States viewpoint and its culture into the countries to the south. Before long, we may even be back in the subsidy or money-lending stage, and the notable caution with which the Mexican expropriation problem has been handled is primarily to protect the susceptibilities of the other countries.

Thus the first objective of American armament and related policies is to build a wall around the Western

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Hemisphere—a wall against political penetration and influence, and not against the free flow of trade along most-favored-nation channels. Great Britain's historic position in Argentina, for example, is something which the United States is now prepared to welcome and foster so long as it is helpful in the bulwark against Fascist influence. It is recognized as a type of influence that has not in general passed beyond the bounds of normal financial and commercial intercourse. But as an aftermath to Munich, it is also recognized that the United States can expect little outside help in enforcing the Monroe Doctrine. Historically, for a century, it was the British navy which supported the American declaration. Now, it is felt, the American navy must be prepared to do it alone, in the probability that Great Britain will either be fully occupied elsewhere or unable or disinterested in providing any assistance.

The second objective of American armament is in the Far East. A good part of the United States navy, latterly nearly all of it, is kept in the Pacific, with a major base in the Hawaiian Islands, and potential remote points of operation—at least for aviation—stretching far toward Asia. The American pledge for an independent Philippines (300 miles from Japan or the Asiatic mainland) is still a moral obligation. The "open door in China" is still one of the three great tenets of United States foreign policy. And although there are few practical steps that the United States is now prepared to take concerning China, it is trying to keep the record straight in preparation for better days to come.

On October 6, therefore, the American Ambassador to Japan delivered a stern note in Tokyo calling for the open door, and in effect threatening trade reprisals if Japan did not restore trading equality in its controlled areas. The note painstakingly listed Japan's discriminatory restrictions upon American trading rights in Asia. It emphasized Japan's present equality of trading rights in the

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United States. The implication was plain. Japan would be placed upon the American "black list", which means that it would not profit on a most-favored-nation basis under trade agreements the United States has with other Powers, unless the Asiatic door were opened. Such a restriction would not touch directly Japan's major exports of silk and silk products to the United States, but it would affect many manufactured goods. For example, the Canadian agreement of 1935 provided a concession on whisky aged in the wood for four years. Japan began ageing whisky in the wood as soon as the agreement was known, and expected to have a useful sale in the United States in 1939. And since Japanese manufacture for export is greatly imitative—in the way of china and crockery, small articles of all sorts, etc.—it might be expected to take advantage of concessions under many trade agreements the United States has negotiated. All such products would be shut out if Japan were on the "black list". And of course further reprisals against major exports, such as silk, are not out of the question as implementation of the latest American note.

Even such steps might bring about no direct change in the Far East. But at least the United States has made its position forcefully clear, and behind the position will stand the enlarging American navy and air force, warning that interests nearer home must not be impaired. In the Orient, as in the Americas, the task which United States policy-makers feel that Great Britain is no longer fulfilling now falls to some degree upon this country. Naturally, only a small fraction of Britain's rôle in the Orient would be attempted by the United States, but the preoccupation of the British navy in Europe is a prime reason for expansion of the American navy to-day.

Within the State Department and throughout the rest of the Government an odd dualism persists, and it is reflected in many speeches and declarations on foreign policy. On the one hand, President Roosevelt and Secretary Hull

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make speeches heartily critical of the dictatorship nations. On October 27, the President's re-definition of policy contained in almost every sentence some condemnation of force, of "strident ambitions", of treaty-breaking, of rule by the sword, of the violation of civil and religious liberties. Naturally, the speech was not published in Rome or Berlin or Tokyo. In temper it was as anti-dictatorship as anything the President or Mr. Hull has said publicly. On the other hand, Ambassador Kennedy and Under-Secretary Sumner Welles make speeches in which they plead for a breakdown of the cleavage between the dictatorships and the democracies, calling for appeasement between the groupings, altogether reflecting views very like those understood to be held in dominant British circles.

Every informed person in Washington understands this dualism; it is the source of no little friction between individuals in the State Department who hold opposing views; it constantly produces embarrassment and misunderstanding. The basic reasons for such contradictory but equally "authorized" viewpoints are two: first, they reflect a natural divergence which exists in all democratic countries; second, President Roosevelt has no wish to burn all his bridges. Though most of his own declarations have been anti-dictatorship, he is evidently keeping the way open to try a different tack if events and American public opinion make it advisable. Thus, he could still follow the path of quarantine, as outlined in his Chicago speech last year, or of appeasement, just as changing circumstances might require. Even rearmament can be interpreted dually: as the force necessary to confront the dictatorships with a democratic front, or as the essential preliminary to a limitation-of-armaments conference.

And so in sum, in the post-Munich world, the United States plunges into a new armament drive, strives anew toward internal unity which has been threatened by industrial and political hostility to the President on the one hand, and intolerance and impatience of the Administration

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on the other, and turns its face toward the Americas in an attempt to establish and preserve economic and political democracy in this Hemisphere. Altogether, the European crisis has left deep—and not unhopeful—lines across the map of the new world.

II. THE MID-TERM ELECTIONS

AS these stirring events were taking place, the United States was wading through an important mid-term election. Once again the readers of THE ROUND TABLE, by the time that they see this article,* will know results yet unknown to this correspondent. On November 8 the voters will choose 31 state governors, 37 senators, and the entire membership of the House of Representatives, 435 in number. The significance of the election is being greatly stressed, but it can easily be exaggerated. President Roosevelt is not running. His political magnetism and great campaigning power are not in operation. The test is between varied individual candidates, and their personal abilities and appeals very frequently overshadow the national issues which may fill their speeches. But the outcome of the elections will be interpreted as a referendum on the New Deal. Everybody expects, and discounts, a certain number of Republican gains. Invariably in American history, the opposition party has gained seats at the mid-term election in a President's second term. There is no chance at all that the Republicans will this time get control of either Senate or House. In the Senate it is an actual impossibility, in the House almost equally so. And unless

* The following table shows the changes in the state of the parties as the result of the elections:

Senate			House of Representatives		
	New.	Old.		New.	Old.
Democrats	69	76	Democrats	262	330
Republicans	23	16	Republicans	169	90
Other parties	4	4	Other parties	4	13

THE MID-TERM ELECTIONS

there is a landslide, returning 70 or 80 Republican House members—still short of a majority—the victory will not be very notable. As a matter of fact, moderate Republican gains might even help the President in applying party discipline to his present sprawling Democratic majorities.

The basic significance of the elections lies, instead, in their indication of how the tide is running. If the Republican gains are notable in certain states—like Ohio, Pennsylvania, New York, and New Jersey—which are regarded as pivotal, then the Opposition's hopes for 1940 will rise sky-high. Ohio is an excellent example, as a state almost equally industrial and agricultural, set in the mid-west, and known as the "mother of Presidents" for the many Chief Executives it has given the nation. The Democratic Senator from that state, Robert J. Bulkley, is running for re-election against Robert A. Taft, son of the late President and Chief Justice, William Howard Taft. The two candidates have made the policies of the national Administration their basic issue, which is far from being the usual case. They have conducted their campaign through a series of six joint debates. The voters have had an unusual exposition of the arguments, and have a fair choice. If Mr. Taft wins, it will be generally concluded that the Republican opposition is really coming into its own. If Senator Bulkley wins, the prestige of the Administration will remain high—except that many will charge that the election was "bought" with heavy relief expenditures in Ohio at the last minute. So if readers want a straw as to American public opinion, let them look up the results in Ohio. Almost equally revealing will be the results in New York, New Jersey, or Pennsylvania. These are among the biggest states in the union, and any party must carry one and preferably two of them to be certain of carrying the country. The Republican chances seem at least even of re-electing Senator Davis in Pennsylvania, and of filling one or two of the three contested Democratic places in New York and New Jersey with a Republican. Should

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two or three Republicans be elected in these three states, the result will be sensationally encouraging to the party.

But if, as is expected, the outcome is more or less inconclusive, then the President chief's problem—and the outstanding political fact in the country—will be the opposition within his own party. Already the nominating primaries have resulted in a series of victories for Democratic senators who have opposed the President. Nine senators of his party fought against Mr. Roosevelt's Supreme Court enlargement plan last year and have had to face the voters this year. All of them were triumphantly re-nominated, though the President himself actively campaigned against several of them. The outcome proved that under the American political system of State autonomy, and all the traditions and emotions that go with it, it is very difficult for a President—however popular himself—to interfere in a State election and defeat a candidate he dislikes. We have plenty of "coat-tail riders"—candidates who aver their unmixd loyalty to the President and who get elected on that basis—but it has been conclusively shown that the President's disapproval does not defeat strong local candidates.

Presumably these senators, returning to Washington despite the efforts of Mr. Roosevelt, will be more positively opposed to his program than ever before. Likewise other of their colleagues, observing and fearing the President's forays into party primaries never before invaded by a President, may turn insurgent as the mystic year 1940, with its presidential election, draws closer. For Mr. Roosevelt's defeats in the primaries seem to indicate that if in 1940 he wishes to transfer his mantle to a successor of his own choosing, he may find the operation a difficult one. His political magic, it would almost seem, is non-transferrable. In that case, the sweepstakes of 1940 are open. And the question of a third term for the President himself immediately pops up. To some, the political lesson of 1938's elections is that the only New Dealer who

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can be elected President in 1940 is Mr. Roosevelt himself. If that is true, he would presumably prefer to challenge the strong tradition against third terms for American Presidents, than to let his program be put on the shelf. Actually, the anti-third-term tradition is stronger among Mr. Roosevelt's old opponents than among his friends. The opposition can make a big fuss about it, but there is no evidence that the millions of "common-man" voters who have elected and re-elected Mr. Roosevelt are greatly moved by such considerations. Rather, they want a President who has their welfare at heart: who is their "friend", and Mr. Roosevelt still retains that title.

Such views, however, may not dominate Congress. In the legislative halls are numerous ambitious men who would like to be presidential candidates themselves, or wish to get in on the ground floor of a new presidential drive. Include among them those senators who return to Washington in spite of the President, and others who have natural conservative leanings, and you get a sizeable potential *bloc* of insurgents. Existence of the group may make it difficult or impossible for the President to secure enactment of any drastic or controversial legislation. He may even have many of the powers previously granted him by Congress curtailed. The last two years of a President's second term are traditionally turbulent, and most such Presidents have found themselves blocked by bulky Congressional majorities. So there is stormy weather ahead.

III. BUSINESS RECOVERY

NOT the European crisis, nor the electoral campaign, nor the prospect of a deadlock between Congress and the Executive has stopped the steady march of business recovery. Many American economists and most investment advisers are firmly of the opinion that a boom has started, and that it will reach large proportions. They expect it to last through 1939 at the very least, and to pile

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up a \$75,000,000,000 national income in that year against a prospective \$60,000,000,000 this year.

In October the business index reached the year's high point in a contra-seasonal trend, after wavering in September. Now boom statements are growing on all the trees, and the stock market is flourishing. The automobile industry is once more the bell wether. Last spring the experts were saying that the automobile industry, having furnished the starter for revival during the last depression, would not be able to do so again. They impressively pointed out that in 1933 the unused mileage of cars in operation (since there were many old cars in use) was very low, and everything was ready for a boom. But after the 1937 automotive sales, which were very close to 1929 levels, nobody expected the industry to flourish again in the autumn of 1938. That, however, is the amazing fact. Automobiles are now selling on a boom basis, after the industry got rid—through organized selling campaigns—of a heavy stock of unsold used cars earlier in the year. And the automobile industry has again become the country's pivotal industry. It uses one-fourth of the steel, half of the iron, three-quarters of the plate-glass, one-fifth of the aluminium and copper, one-third of the lead and four-fifths of the rubber and oil consumed in the country, while one in seven gainfully employed in America owes his living to the motor car. The automobile is economically to the United States what the home is to Great Britain—the back-log as well as the kindling wood of the economic system.

But housing is also beginning to march along here, with 1938 figures already mounting to the promising 1937 level and evidently headed higher. If a price ramp does not come in the spring, again exploding a housing boom, we seem in a way to realize the \$75,000,000,000 national income in 1939 of which the economists speak.

Farm prices remain low, and so discontented grumbling and talk of "farm revolt" roll eastward from the Great

BUSINESS RECOVERY

Plains. But prospects for fall and winter markets look good, because of increasing production schedules and pay rolls, and this somewhat promises to compensate for low prices. Farmers' cash income is going up as compared with earlier months of 1938, but it is about \$700,000,000 out of \$5,000,000,000 lower than last year.

On the whole, however, the agricultural outlook as well as industrial prospects was on the rosy side. The Bureau of Agricultural Economics, one of the most competent and objective business analyst sources in the country, in October thus summarized the broad situation:

The general trend of industrial production, factory employment, and national income points upward. Consumption of many industrial products has exceeded production in recent months; inventory stocks of automobiles, textiles, and other goods have been substantially reduced; factories have increased production schedules. How sharp has been the industrial recovery since July is revealed in the accompanying chart [which showed an almost vertical rise from 70.5 to 80.2 in industrial production]. Though building contracts awarded (as measured by the Federal Reserve Board index) recovered more than 50 per cent. between March and August 1938—to the highest point since April 1931—it was not until July that any widespread evidence of an improving economic situation was apparent. In July, however, such broad measures of domestic demand as industrial production and non-agricultural income had reversed the downward trends which first appeared in September of last year. Factory employment and pay rolls, which usually respond quickly to changes in productive activity, rose sharply from June to August.

In this setting of gradual recovery comes President Roosevelt's appeal for internal pacification, for a new crusade toward national union. That is the biggest news from America to-day.

United States of America.

October 1938.

THE ECONOMIC RÉGIME OF THE THIRD REICH

I. ECONOMICS AND POWER POLITICS

SINCE its accession to power in 1933 the National Socialist Government has led Germany from one success to another in international affairs. Its latest political stroke still resounds harshly in the ears of an uneasy world. By comparison, the economic and financial achievements of the Third Reich have been as spectacular, though perhaps less convincing when judged by the orthodox canons of the past.

Nevertheless, the economic policy and practice of the régime have not failed it. Prophecies of a breakdown freely uttered for some time in and outside Germany, have been falsified. Though viewed abroad with dislike and distrust, the financial methods adopted by National Socialist Germany have sufficed to provide the resources for a prodigious programme of military preparation which, in turn, has reinforced German diplomacy—following the familiar traditions of Prussian statecraft—its aggressive pursuit of bold political designs.

This fact is significant enough to invite study of Germany's national economy. Furthermore, there seems to be a growing disposition on the part of Germany's rulers to establish permanently, and as a matter of deliberate intent, the policy originally adopted to cope with acute economic and financial embarrassment. The devices and expedients, the active and repressive measures resorted to in a period of emergency, have gradually developed into a more or less coherent if extremely complex, system of controlled economy

BARRIERS AGAINST THE OUTSIDE WORLD

Whatever may be the views of officials and civil servants responsible for its laborious administration, politicians show no desire to abandon it. Its advantages are deemed to outweigh its disadvantages. Certainly it secures to those at the head a degree of power which, through its ability to affect the fortunes and even the daily livelihood of millions of individual Germans, rivals the most remorseless police methods as a means of compelling political subservience and crushing opposition.

II. BARRIERS AGAINST THE OUTSIDE WORLD

TO understand the closed or controlled system of national economy now obtaining in Germany, it is well to bear in mind two facts. First, the system as it confronts us to-day is not the embodiment of new and surprising abstract principles or economic theories. It was not devised in the study. Totalitarian economic methods were born of necessity, evolved through practice and adapted to experience. It is to this circumstance rather than to any subtlety of design or originality of plan that their survival and success must be ascribed. A second vital element, without which the edifice of German economy could neither have come into existence in the past nor continue to survive in the future, is the all-pervading and overriding power wielded by the Government in economic as well as political affairs. Perhaps the only doctrine consciously and deliberately applied from the outset to the solution of Germany's economic problems is that of the absolute authority of the State or Leader.

Some approach towards the restriction of economic freedom was of course made before the advent of National Socialism. The emergency had begun during the financial crisis of 1931, when the abrupt cessation of foreign loans found the country in a situation which menaced anew the stability of the Reichsmark. To counter it, foreign exchange restrictions were imposed.

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Parenthetically, it may be well to observe that recourse to this expedient might perhaps have been avoided if—after the standstill—the German Government during the late autumn of 1931 had thrown in its lot with the sterling countries. The strain on German exchange would almost certainly have been relieved and many of the bitter social and economic hardships of 1932 averted. The growing unrest and civil strife, threatening political disruption, would have been checked. History might have taken a different turn. *Dis aliter visum*. The memory of the post-war inflation which completely extinguished the old mark was too dread for the German Government at that juncture to envisage the deliberate devaluation of its currency, despite the example set by the Scandinavian countries and others. The political hazard was great: a panic was feared. In addition, some well-meaning foreign advisers adjured the Reichsbank to “stay on gold”, arguing that recovery would certainly follow if only the stability of the Reichsmark were maintained. This, as it proved, was a tragic error of judgment. In the sequel, distress and depression went from bad to worse.

Wer “A” sagt, muss auch “B” sagen, runs an old German proverb. Having embarked upon foreign-exchange restrictions, the authorities soon found it necessary to institute control of foreign trade in order to render them effective. Too many devices for the illicit export of capital and the evasion of exchange regulations—such as that of under-invoicing exports and over-invoicing imports—had been found and practised during the comparatively recent period of European inflation.

Furthermore, the censoring of applications for foreign exchange, which was adopted in order to exclude transfers of capital and other financial transactions, and thus restrict the allocation of exchange to legitimate trading operations, constituted no more than a qualitative limitation of the accruing demand. It set no positive bounds to the volume of imports; nor did it secure any quantitative adjustment of

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the total value of German imports to countervailing exports. In short, it did not solve the exchange problem. Despite restrictions, foreign trade continued to show an adverse balance. It was therefore decreed—though only after a lapse of time during which a considerable volume of new commercial indebtedness had been incurred abroad—that in future no foreign purchases, even of essential goods, should be contracted for without prior sanction and allocation of the requisite exchange. Exports were similarly made subject to approval and licence, to ensure that the resulting foreign exchange would be duly remitted to the Central Exchange Fund of the Reich and that commodities required to satisfy domestic needs should not be sent out of the country.

By this measure the Government assumed complete control of Germany's foreign trade down to the minutest details. The Government became and has since remained, as it were, Germany's sole authorised buying and selling agent in its dealings with other countries. It also became the country's sole dealer in marks against foreign exchange.* It thus secured the complete exchange stability of the Reichsmark. Where there is but a single buyer and seller of a currency, fluctuations in price cannot occur against his will. This simple fact explains what has occasionally been accounted a mystery: the paradox that the German mark, unsupported by any gold reserves, is the only one in the quoted list of world exchanges to preserve its pre-war parity with gold. It differs from the other principal currencies in that it is not a “market”, but a monopoly.

The circumstance that the German authorities permit dealings, and in some instances free dealings, at fluctuating market prices in a dozen other types of marks rather demonstrates than negates the completeness of the control established. For none of these other categories of marks can really be considered as currencies or money except in a

* Not, of course, in the Russian sense, as an *entrepreneur*, but as the controlling agency.

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limited sense of the term. They are book claims against German banks and businesses arising out of unliquidated German indebtedness to foreigners, dating from before the moratorium and standstill; they are accordingly limited in amount, and their use is strictly circumscribed. In general, none of them can be tendered in payment for exportable German goods; though in exceptional cases the German financial authorities may give sanction for some special transaction, at a rate fixed by them, which would normally be outside the permissible limits. Register-marks, perhaps the best known among the various kinds of marks conforming to the above description, are, after all, little more than an application of the principle of travellers' cheques combined with hotel and food coupons, extended to cover all other expenses incidental to tourist travel. When the foreigner buys them he is merely acquiring at an auction price the claims of some other foreigner upon Germany. They provide the purchaser with travelling facilities (and these only) and extinguish some fraction of Germany's foreign indebtedness. They cannot be used for the purchase of German goods in competition with standard marks, which a foreign importer is obliged to purchase at the official rate from the Reichsbank.

Having assumed control of all inward and outward foreign trade, the central authority was clearly faced with the task of discriminating continuously between a variety of alternative imports—control itself being due to the impossibility of permitting all desired or desirable imports. It had also to determine or limit the quantity to be sanctioned in each case. It had, in a word, both to balance the value of imports with that of exports by administrative control, and to select them so as to assure the minimum and aim at the maximum satisfaction of the country's needs. The requisite machinery of control, and virtually of economic planning, was accordingly set up. It was soon involved directly in the supervision, if not the actual regulation, of large sections of domestic production and industry. Many

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branches of the latter depended on raw-material imports and had to adjust their activities to the available supply. The degree of capacity to which they could work had in turn a direct bearing on employment and unemployment. The many issues involved and the decisions to be taken by those responsible readily suggest themselves, and need not be enumerated. It has been possible by these methods to avoid a great deal of waste in the national economy. On the other hand, a vast and steadily increasing amount of daily administrative work has had to be performed, which is wholly unproductive. The labour involved is incredible. Tens of thousands of forms have to be completed daily by controllers and controlled. It is believed that half a million people devote their energies to the work. No one, perhaps, except the Germans with their passion for organisation, their natural inclination to take thought for the morrow in its every detail, supported by an almost infinite capacity for taking pains, would successfully have carried out such a colossal task or, indeed, ever have shouldered it.

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INEVITABLY the impact of these measures of control, beginning with a moratorium and exchange barriers and culminating in the detailed management of Germany's foreign trade and foreign exchange, proved at first severely deflationary and restrictive of trade in general. But the crisis had begun with unemployment of such dimensions as to constitute a social and political menace quite as serious as the threatening exchange depreciation. Domestic trade and turnover had therefore to be stimulated at all costs. The required stimulus was provided by extensive creation of credit behind Germany's closed exchange frontiers and by its direct application on the part of the Government itself. The Government quickly became the largest single *entrepreneur* and employer of labour, engaging in public works, including (but at first by no means predominantly

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consisting of) military preparations. Their justification was based on grounds of national utility and the employment thereby afforded, without particular regard to their producing a profit or earning the interest due on the funds expended.

This policy has proved highly successful in reducing unemployment and galvanising industry into renewed activity. But as the system prevailing within the borders of Germany—that is, behind the exchange barriers—was at that juncture still in the main a normal monetary economy, so great an injection of credit applied to the creation of work and income necessarily had the effect of starting an upward movement in prices. It became marked in respect of consumption goods, the supply of which—whether home-produced or imported—could not rise *pari passu* with the increasing national income and the resulting greater demand for them. To avert the danger threatening from this quarter, which, if allowed to proceed far, would have involved depreciation of the Reichsmark in terms of internal goods and services, price control was instituted.

Price control proved, as always, a treacherous weapon. It seldom happens that the relation between costs and prices is satisfactory to all producers or uniform as between different forms of enterprise. The imposition of fixed prices therefore leads to deviations and distortions of production. Activities are transferred wherever possible from the less to the more profitable forms of manufacture, trade and agriculture, regardless of their bearing upon the general welfare.

To forestall and counter these tendencies—of which abundant experience had been gained in Germany under the system of maximum prices initiated during the great war—the German Government proceeded yet a step further by introducing qualitative and quantitative supervision of production itself, both in industry and farming. It would be an exaggeration to describe it as all-embracing. Considerable elasticity is allowed in a thousand smaller and

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less important branches of trade and manufacture, particularly where no imported raw material is employed and supply is adequate. But regimentation covers a wide field none the less. Not only does it apply to existing production and manufacture, it also entails absolute control over the creation of any new enterprise. This has to receive government sanction both centrally and regionally. What might be termed wanton competition, involving duplication of plant and possible over-production likely to lead to price-cutting, can be prevented in advance by a simple ministerial decision. Furthermore, the Government is in effective control of the capital market and the banking resources which would in most cases have to provide the finance.

To the above measures of economic control, eliminating capital movements and exchange fluctuations, directing trade and supervising prices and production, one important element must be added which is essential to the working of the whole system: the regulation of working hours and rigid fixing of the remuneration of labour and of all services. This development accompanied other processes of regimentation, sometimes preceding and sometimes lagging behind them. But it has now progressed to a very advanced and elaborate stage. And the further one pursues enquiry into the working of the régime, the more strongly does the conclusion emerge that it is the price of labour and the stability of that price—or, reversing the order, the purchasing power of money *in terms of labour and services*—which has become the corner-stone of the whole structure. By this means the prices and cost of production of virtually all goods of domestic origin and material can be controlled and kept at stable levels. The real value of the Reichsmark thus fixed in terms of efficient labour and services is extraordinarily high; and its maintenance is dependent upon the political authority of the state and not on the ordinary monetary and economic influences. Herr Hitler was stating a fact and by no means uttering an empty boast when he declared last February that the true backing of the

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Reichsmark consisted of the quantity and quality of German work. So long as anyone from a miner to a minister can be induced—by whatever means—to give his services efficiently and over a long working day or week for a rigidly determined sum in Reichsmarks, nothing can impair the purchasing power of the currency in terms of domestic goods and utilities. And it would be false to conclude that, because mark-wages are low, the resulting standard of living is necessarily low, though, as will be seen, it is undoubtedly tending to decline. If one man receives a low money wage, so does another. The civil servant or clerk is drawing a small salary, the mechanic or labourer a modest wage; but a very small part of his income will, in turn, purchase the services of a doctor, schoolmaster, tailor, electrician or of the bricklayer to build his cottage. The same applies to all ordinary goods and chattels entering into daily consumption and domestic use. The process comes full circle, in every respect, save in the important matter of imported goods and those whose manufacture requires a high percentage of imported materials. In terms of Reichsmark prices, Germany is not an expensive country. There could hardly be a greater error than that of expecting a breakdown to occur as the political outcome of a low standard of living.

IV. STRENGTH BEFORE COMFORT

THERE are, nevertheless, imperfections in the system, which it has so far proved powerless to remove or correct. Control of prices in a large, complex and highly organised commercial system, dependent upon foreign raw materials, can never be as complete as the control of wages and salaries even under an authoritarian system. Fluctuations do occur in the prices of consumable goods, especially if imported. Loss of purchasing power has to be accepted without complaint or compensation. Strikes are proscribed. The standard of living of the worker

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acts as the shock-absorber for upward or downward movements in the volume and price of the available consumers' goods. This passivity on his side is partly facilitated by the circumstance that greater price fluctuations are frequently avoided through manufacturers reducing the quality rather than raising the price of the goods in question. The necessity for a greater immediate outlay by the worker is averted and the rigidity of wages and salaries preserved. Sober German estimates suggest that the deterioration in quality of a wide range of articles of consumption can be roughly assessed at 30 to 40 per cent. over the last three or four years. Clearly a decrease in the standard of living is involved, but the economic loss, so far as articles of daily consumption are involved, has been written off by the worker himself as soon as it is incurred. No rise in wages, and therefore no increase in general costs of production, is allowed to result from it. The economic disturbance commonly arising out of movements distorting the relation of costs to prices and affecting profits is largely absent.

The simple and ostensible cause—the *causa proxima*—of this downward trend from the consumer's point of view is, of course, the shortage of foreign exchange. Exports have been insufficient to pay for all desirable and even necessary imports. And the average German is given to understand that this is due primarily to the malevolence of the foreigner, who depreciates his own currency and raises prohibitive barriers against German goods; and more generally to the lack of German-owned colonial and even European territory, affording Germans a proper outlet for their productive and commercial energy. In fact, however, it is manifest that imports intended for rearmament purposes have heavily loaded the dice against the German consumer. If, in pursuance of its overriding national policies, the Government has imported raw materials rather than foodstuffs and given preference to explosives over exports, it lies within its own power to reverse matters at any time.

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There is, however, a further factor to be considered in this connection. It seems improbable that Germany's foreign trade could in any circumstances have kept pace with the vigorous rise in domestic industry and trade that has taken place under the enormous stimulus—political, financial and economic—provided by a Government armed with absolute powers. No such powers could influence trade with foreign countries, although subsidies, partly at the expense of foreign creditors, partly provided out of a special levy on the whole of German industry, have been freely applied to exports and supported by robust political and diplomatic pressure.

Herr Hitler himself has repeatedly declared that when he assumed power his first care was to provide work for the six million Germans then unemployed. He addressed himself to the problem by setting his people to work and produce, and not, as had been done in some other countries, by distributing additional money claims upon the existing supply of goods. In a word, he made production and not consumption the starting point of recovery and re-employment. It has since remained the basis of his economy.

Natural resources, however, were insufficient to satisfy all the ordinary wants of the consumer. For the benefit of a population rapidly regaining employment and income, German industry was able to produce millions of cups and saucers but no tea or coffee with which to fill them, except indirectly by exchanging German goods (or services) for those of other countries—a process which proved less obedient to the command of National Socialist authority.

Such exchange was rendered difficult by a number of incidental factors. Owing to retention of the former mark parity, even after the devaluation of the dollar and the gold-bloc currencies, German export prices were too high to be competitive. The exchange resources of the Reichsbank had meantime fallen so low that payment for German imports was—and is—usually offered, more or less directly, in the form of German goods rather than in

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cash available for purchases of goods or settlement of obligations in any part of the world. This proved irksome to traders abroad, so that German purchasers were often obliged to bid more than world prices in order to induce acceptance of such novel and inconvenient terms of payment. And the higher cost of raw materials reacted in turn on the competitive cost of German exports. At the same time, Germany was losing rather than securing goodwill in other parts of the world by its aggressive political attitude, its harsh treatment of the Jews, and its insolence in default.

An element of incongruity has thus entered into Germany's economic recovery. Unemployment in 1938 has been smaller than in any post-war year, production in most heavy industries a record. The national income is rising steadily. Savings, as shown by the returns of the savings banks, have reached higher figures than ever before. Subscriptions to a recent Reich loan amounting to Reichsmarks 1,600 million (to a large extent freely tendered and not merely "made available" by Government pressure upon banks, savings banks and insurance companies) were greater than any in Germany's previous peace-time experience. Yet these favourable developments have been accompanied by a more acute shortage of essential foodstuffs. Bread is conspicuously poor in quality; butter is rationed and inferior; eggs, oranges and many other items are at recurrent intervals hard to obtain. Moreover, there has been greater deterioration in the quality of the reduced supply available than at any time since the last war.

By contrast, production in the capital-goods industries is not only striking, but very steady. Virtually the whole flow of the country's savings, large and small, enforced or unenforced,* is canalised and directed without noticeable

* *E.g.* through heavy taxation and special levies; limitation of dividends distributable; or even simply through the absence of goods on which the average consumer would have spent a part of his money.

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delay or interruption into public-works enterprises or the construction of industrial plant. At first sight, the system seems almost perfect. Doubts as to how long outlets will be available for building or other enterprise can be set aside for the present. As an indication, the circumstance may be cited that in Berlin alone projects are in course of preparation for the housing of 70,000 families clamouring for flats or other accommodation. And if this question of the future saturation point is dismissed, the steady and continuous turnover of money—a fundamental condition of economic prosperity, interruption of which is generally regarded as a cause no less than an effect of downward movements of the trade cycle—is wholly assured. The spectre of unemployment has ceased to afflict either the Government or the worker.

Some, at least, of the fears expressed with regard to the régime and its present over-emphasis of public works and public expenditure are distinctly premature, if not groundless. Critics who have apprehended the immense gain in stability of employment and in scope for rational and well-planned social (as compared with individual) enterprise by the government or state, have urged that the system can only work at the cost of heavily increasing indebtedness. They consider that although Germany started from an unusually favourable position in this respect—its war and pre-war debt having been depreciated out of existence—the debt charges now steadily being incurred must within measurable time imperatively call for a halt or a slowing down in government expenditure: whereupon there would ensue a relapse into the economic instabilities and imperfections of former times.

Against this contention one or two considerations may be advanced. Though the Reich debt charge is rising, it is almost certainly rising less than proportionately to the increase in fiscal revenue. It is doubtful whether it amounts to as much as 3 milliards out of a total of 14 milliards collected during the last fiscal year. The rate of taxation,

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especially on small incomes, would be politically inconceivable almost anywhere else. The Reich Government is intent upon making each year a sufficient levy on the national income (at present 28·9 per cent., according to semi-official German estimates) to finance an increasing proportion of its capital expenditure out of revenue instead of loans. The accumulation of excessive interest charges is avoided by the process of converting a percentage of individual income into national capital through the intermediary of the state. What it really amounts to is enforced saving through enforced under-consumption.

Fiscal revenue has risen in three years from 8 milliards to 14 milliards and is expected to reach 16 milliards for the current year. If so, this will indicate that total national income has risen, but also probably that the process of enforced saving through enforced under-consumption has progressed a stage further. For the consumer's position has actually worsened. What he has to forgo in consumable articles is, however, made up to him—according to the professions and practice of the totalitarian economic régime—in the form of additions to the general wealth and amenities of his country which he, like all others, is free to enjoy and appreciate—or not.

V. “OVER-CHARGED WITH PURPOSE”

FROM the foregoing sketch of Germany's controlled economy many relevant features have necessarily been omitted. Even a cursory survey, however, discloses baffling contradictions and cross-currents in the system evolved.

Exchange stability has been secured without the use of gold; but the parity, so strenuously preserved, is a hindrance rather than a help to trade. Domestic industry flourishes, but foreign trade lags. Control of imports and exports eliminates waste, but creates a mass of unproductive labour. Unemployment has been banned, but longer

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working hours seem to set at naught the social and technical progress of a generation, and leave the nation with hardly an ounce of reserve energy for an emergency. The food supply may be described as the worst, in quantity and quality, for many years, but its distribution is equitable; scarcity gives rise to rationing, and is not allowed to affect price. The small income of the worker is supplemented by a "social income" consisting of indirect benefits (such as gifts and loans to newly married couples) and facilities for recreation, entertainment and travel.

The fiscal position is strong. A large debt has been created in a short time, but its rate of growth has been checked, and the total burden is light as yet. Revenue is rising. Taxation, however, is punitive in its severity, and voluntary contributions—which it would be politically imprudent to refuse—are constantly demanded in addition.

But the significant element in German fiscal methods is the excess of revenue over current administrative expenditure. It provides a fund of several milliards annually for capital or rearmament projects. Over-taxation and under-consumption are complementary and essential factors in the stability, at a high level of production, of Germany's domestic economy. Employment is assured to the worker and paid for by a reduction in his standard of living. The influence of the trade cycle is eliminated. The scale of wages, rigidly maintained, compels variations in the standard of living to serve as a buffer against variations in the value of money—a complete reversal of traditional economic methods almost unthinkable in a less authoritarian régime.

The policy of fostering trade—or securing indispensable supplies—by means of bilateral agreements is not an unqualified success. At any rate, it has not produced plenty. It is, of course, the negation of international trade, which alone offers the most economical use of the world's productive and natural resources. Nor can it replace the functions of money and supersede the regulative

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and distributive mechanism of prices, dependent upon free exchange. Instead, it forces others to the involuntary adoption of similar methods in defence of their interests. Trade assumes a more explicitly political character than heretofore. One is reminded of rearmament, which no one wants, but which the example and impact of Germany forces everyone to pursue.

The closed and controlled economic system of Germany can claim many advantages to offset its disadvantages, and it is in no danger of breaking down. It is perhaps too early to decide whether it offers any positive and permanent contribution to the knowledge and conduct of economic affairs. But if it has banished doubt and despair among the sorely-tried population of Germany, it has produced little happiness or comfort. The atmosphere seems always to be tense and strained. It is over-charged with purpose. People seem to be continuously subjected to the restraints, inhibitions and exhortations of a crew training for a boat race; and that is an *ethos* few of us would care to endure for a lifetime.

THE SOVIET UNION AND EUROPE

I. THE FRANCO-SOVIET PACT

IN August of last year Trotsky, surveying the contemporary world from his refuge at Coyoacan in Mexico, wrote an article entitled *The Coming World War*, in which he declared:

The Franco-Soviet Pact is no longer a constant factor. Unlike the old Franco-Russian military alliance, it has no real substance. French policy, always following Great Britain, oscillates between a conditional agreement with Germany and unconditional friendship with the U.S.S.R. The greater these oscillations become, the more serious will be the final decision.

The actual course of events is well described by this forecast. After a year of oscillations France has taken a decision that, as far as central Europe is concerned, may be regarded as final, and this decision has gravely compromised the Franco-Soviet Pact, signed in May 1935 and intended to provide with joint guarantees of Czechoslovakia an effective restraint on the territorial expansion of Germany. It would be too much to assert that the Franco-Soviet Pact is now incapable of revival, but it is certainly in a state of suspended animation. France has surrendered the Czech bastion, and the terms of surrender were arranged at Munich at a Four Power conference from which the Soviet Union was ostentatiously excluded. The western democracies appear to be framing their policies on the principle "of letting Germany go east".

In undertaking to aid Czechoslovakia against a German attack the Russians very wisely made their assistance conditional on action by France, and they are therefore able to put upon France all the responsibility for the abandonment of the Czechs. But this moral satisfaction can hardly console

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the directors of Soviet foreign policy for the setback which they have now experienced after committing Russia so deeply to collective security and the French alliance. A fresh stocktaking is necessary on the morrow of such a disaster, and a choice must be made by Russia between two courses of policy: a determined attempt to build a new coalition for restraining Germany or a deal with Herr Hitler on the principle of "letting Germany go west". The decision does not, of course, rest only with Russia. She cannot co-operate with Britain and France unless they are willing, and cannot acquiesce in a German drive to the west unless Germany is prepared to forget about the Ukraine and go back on the words of *Mein Kampf*. In so far as Russia can choose, however, the choice will be made in accordance with the fundamental need of preventing a hostile coalition of the great Powers of western Europe.

From the close of the civil war in 1920 to the autumn of 1933 Russia sought to strengthen Germany as a check on France and Britain, who were regarded in Moscow as the principal enemies of the Soviet régime. Germany, crushed and disarmed after Versailles, now separated from Russia by the whole width of Poland, and herself a nation under tribute, had neither the power nor the will to attack the Soviet Union. But France and Britain, though frustrated in their anti-Bolshevik interventions of 1918-20, remained openly hostile and stood by their claims on the repudiated debts and confiscated properties. The border States, especially Poland and Rumania, were under French influence, and the army of Wrangel, withdrawn from the Crimea in 1920, was in emigration, ever waiting for an opportunity to renew the struggle on Russian soil. In these circumstances Soviet foreign policy aimed at exploiting the hatred of the German nationalists towards France and at putting Germany in a position for a future war of *revanche*. No actual military alliance was ever concluded, but the Rapallo Treaty of 1922 covered a secret military arrangement of immense value to the German Reichswehr. It was agreed that for an annual

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payment of 250,000 gold marks selected officers of the Reichswehr should be sent to Russia and be trained secretly in the use and tactical handling of heavy artillery, tanks and military aircraft, which were forbidden to Germany under the Versailles Treaty. This agreement continued in operation until 1935—two years *after* Hitler came to power—when he himself cancelled it. Without it a rapid German rearmament would never have been possible, for the capacity to manufacture weapons is of no value unless there are men skilled in their use, and the experience of the great war would not have been sufficient if there had been no practical up-to-date training of specialists between 1918 and 1933.

The assumption underlying the Soviet policy of aid to Germany was that the restoration of German military strength would mean a settling of accounts with France, but no danger to Russia. This assumption would have been correct if the old-fashioned nationalists, and not the Nazis, had been able to control the direction of German policy. But they were not. The triumph of Hitler was the triumph of the *Easterner* school of German expansionism; it implied, in accordance with the doctrines of *Mein Kampf*, an ideological front against Bolshevism—which the capitalist magnates of London and Paris could be invited to join—and the creation of a German continental empire that would recover all the immense gains of the Brest-Litovsk and Bucharest treaties of 1918.* The menace was perceived by officers of the Red army long before Stalin's *Politburo* thought that a change of policy was necessary. After the Reichstag fire a Russian airman at Ljuberzi (the flying school for German officers near Moscow) remarked: "We Russians are a set of idiots! We have trained Hitler's officers, and he will repay us with bombs dropped over Moscow". To which the Germans present replied with the old assurance: "No, not over Moscow! Over Paris!"†

* For the development of the *Easterner* doctrine before Herr Hitler took it up, see the essay *Moscow, the Root of All Evil*, written by Major-General Hoffmann in 1922 and published in his *War Diaries and other Papers*, Vol. II, p. 359.

† E. Wollenberg, *The Red Army*, p. 238.

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Hugenberg's proposals for German colonisation in Soviet territory, put forward with such extraordinary tactlessness at the World Economic Conference in the summer of 1933, provided a danger signal which could not be mistaken. The anti-Bolshevik propaganda of the Nazis grew steadily both in volume and in vehemence. Meanwhile, the Soviet frontiers in the Far East were being menaced by the new continental expansion of Japan. Threatened with diplomatic isolation and with foreign aggression on two fronts, the Soviet Union was compelled to enter "the imperialist robbers' den", i.e., the League of Nations, and to conclude "within the framework of the League" a military alliance with France.

The Franco-Soviet Pact meant that the Soviet Union was for the first time ranged in full alliance with an imperial capitalist State. The assistance previously given to Germany had not involved any obligation to go to war on Germany's behalf, nor any formal renunciation of international revolutionary aims. The new commitments, however, implied a fundamental departure from the Leninist idea of world revolution, as was made clear by Stalin in his amazing interview with Howard of the American Scripps-Howard press syndicate in March 1936. It was no accident that Stalin's categorical repudiation in this interview of everything that the Bolshevik party had stood for in the days of Lenin was followed five months later by the execution of Zinoviev, Kamenev and Smirnov, and within two years by the destruction of nearly all the surviving leaders of the October Revolution. The internal crisis that has ravaged the Soviet Union since the summer of 1936 has been in large measure the result of the international situation, though it cannot be fully explained except in terms of domestic politics.

II. STALIN AND THE BUREAUCRACY

SINCE the time of Lenin the Communist party of the Soviet Union has been completely transformed by the abolition of the two features which Lenin regarded as essential to its

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itical honesty—the guarantee of free political controversy within the party and the strict limitation of income for all its members to approximately the level of a skilled workman's wages. The abolition of these safeguards, dating from the fall of the year 1927, has led on the one hand to the emergence of Stalin as an absolute, despotic ruler requiring unconditional obedience from all Soviet citizens, and on the other, to the formation of a privileged bureaucratic caste whose highest status can already be counted as "rich" in comparison with the general standard of living in the country. Stalin has abolished the privileges of the bureaucrats, and the bureaucrats support Stalin in his despotism. This system is called "democratic centralism," and anyone who questions its claim to the title is sent to one of the Soviet Union's many concentration camps; everything is done in the name of Lenin, who lies mummified in his tomb and cannot protest.

Lenin was no democrat, as the word is understood in England, but he believed in "democratic centralism" as the proper constitution for the Communist party. The party, as one party of the proletariat, could not tolerate any organised position outside itself. But within the party, among its members, there was to be a free political life with the fullest discussion of all issues of policy, subject only to the condition that the decisions of each party Congress must be loyally served by all members until the next. The delegates of all local branches forming the party Congress elected the Central Committee, which in turn elected the *Politburo*, the supreme authority both in the party and in the state. There is no room in this system for an infallible autocrat, and Lenin himself never attempted to assume such a rôle; he held his position as leader by free election through wrangling and controversies, often of great bitterness, with other leading members of the party.

Unfortunately for the working of this system, the mechanism for controlling admissions and expulsions gave an enormous power to the party secretariat. The party membership is scattered over one-sixth of the earth's surface; it could

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only be held together, organised, instructed and disciplined through the secretariat, through which also all recommendations for administrative posts had to pass. Stalin built up his personal power as general secretary of the party, and when he had gained full control of the organisation through the local secretaries, he was able to threaten all rivals for leadership with expulsion—which was equivalent to political extinction, since there was no other legal party in the state. The colleagues of Lenin realised too late their helplessness, which is vividly expressed in a letter from Kamenev to Zinoviev recording a conversation with Bukharin in 1928. Bukharin said:

For several weeks I have ceased talking to Stalin. He is an intriguer without principles, who subordinates everything to the possession of power. He changes his theory for the purpose of eliminating this or that rival. . . . What can we do? What can we do in the face of an adversary of this sort, a debased Genghis Khan of the Central Committee?

The Genghis Khan of the Central Committee has now rid himself finally of Kamenev, Bukharin and their kind, but he is not all repression; he knows how to reward his uncritical supporters no less than how to punish those who refuse to submit to his authority. In the early stages he found it difficult to satisfy his followers within the party because of the maximum income rule laid down by Lenin with the specific object of averting a spoils system and preserving a proletarian standard of living. But the rule was abolished after the Fifteenth Congress (December 1927), at which the Left Opposition Communists were expelled. As time went on, it was explained that it was the duty of a Communist to earn as much as he could, and by merit; or, in other words, by loyalty to Stalin he might hope to earn not two or three times, but fifty times as much as an ordinary proletarian. A new privileged class has thus been created to be the bulwark of the autocracy; its members are accountable to Stalin alone, for no popular opposition or criticism is tolerated, and all elections are merely to register nominations from above.

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An interesting picture of the new ruling class is drawn by Dr. Anton Ciliga in his book, *Au Pays du Grand Mensonge*. The author was formerly a member of the *Politburo* of the Yugoslav Communist party and lived for ten years in Russia. Of the Communist *élite* of Leningrad, the inhabitants of the "Party House", he writes as follows:

All this circle, all these families, had something in common, belonged to a single social and psychological type. It was a new aristocracy of *nouveaux riches*. I knew, certainly, that these people represented the new privileged class, but what was new to me was the fact that they were fully conscious of it and were completely permeated with the spirit of caste. . . . They had no consideration except for those who occupied a dominant position in society. . . . The value of a man was measured by the elegance of the country house at which he could stay, by his flat, his furniture, his clothes and his position in the administrative hierarchy.

If the picture of contemporary Russian society drawn by Dr. Ciliga is at all truthful—and, in spite of assurances to the contrary from the Dean of Canterbury, there is a great volume of evidence to confirm it in outline—then it is clear why the present rulers of Russia have no enthusiasm for the rekindling of the fires of the October Revolution, by the legend of which they live; and why they must at all costs silence by death or imprisonment all the Old Bolsheviks—not necessarily old in years—who mean by socialism something different from the rule of the Stalinist bureaucracy. The suppression of the Old Bolsheviks has now been carried out with the utmost ruthlessness, and it is with justice that Ciliga prefaces his book with the comment of Balzac: *Les révolutions populaires n'ont pas d'ennemis plus cruels que ceux qu'elles ont élevés.*

III. THE RED ARMY

IN 1921 Tukhachevsky wrote the following words:

Outside the frontiers of the Soviet Union our Red army should be regarded as a formation of international cadres. . . . This army must learn to forget that one national element preponderates in it; it must realise that it is the army of the international world proletariat, and nothing more. Wherever it goes, the people must be made to feel that it is a Red army and not a Russian one.

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In 1937 the author of this declaration and other leading generals of the Red army, with Orlov and Alksnis, heads of the Red navy and Red air force respectively, paid for this faith and the actions to which it led them, with their lives. Since then Marshal Blücher, the most brilliant of the survivors, has "disappeared" and is presumed to have been executed.

Tukhachevsky worked out in detail a theory of war corresponding to the political doctrine of Leninism. It followed from the conception of the rôle of the Russian Bolsheviks as the vanguard of the world revolution that Soviet Russia must be prepared to fight alone against any combination of capitalist States, trusting for ultimate salvation in proletarian revolutionary uprisings behind the lines of her enemies. This idea was the starting point of Tukhachevsky's military theory. He believed that in a war against one or more capitalist Powers the Red army could ultimately achieve victory through the spreading of proletarian revolution. But such relief could not be expected in the initial stages of a war, and, therefore, in order to be able to withstand the first shock, the Red army must be capable of pitched battle with the strongest of its foes. For this purpose Tukhachevsky was an ardent advocate of thorough mechanisation, adapting the natural aptitudes of the industrial proletariat to an industrialised type of warfare, and here his doctrine ran counter to the thesis of another school that "the Red army cannot undertake the task of rising to the technical standard of imperialist armies; it must win victories by its enthusiasm". Tukhachevsky denounced this view—the chief exponent of which was, and is, Voroshilov—as "foolish chatter", and claimed that the Red army must aim at the highest technical standards.

It goes without saying that Tukhachevsky and his colleagues, devoted to these aims, set no store on alliances with capitalist States. They held that friendly understandings with such States might be desirable as a temporary expedient, but that the Soviet power should never deprive itself of a free hand for promoting revolution internationally when the

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opportunity arose. If Russia were to bind herself with a full military alliance, she would be confronted in time of war with a dilemma: either she must break up the coalition and alienate her capitalist ally by promoting proletarian revolution instead of fighting simply as a national State, or else she must refrain from revolutionary socialist propaganda in order to maintain the alliance—which would be treason to the Marxist cause. As regards the latter alternative, the Red army internationalists agreed with Trotsky's dictum that

to fight for the preservation of a national basis of revolution by such methods as weaken the international ties of the proletariat, actually means to undermine the revolution itself.

Naturally such doctrine could not co-exist with Stalinism, and the divergence between the official party line and the Leninist tradition of the Red army became more and more pronounced from 1933 onwards. The Red army internationalists reproached Stalin with treachery to the cause of world revolution; they also accused him of destroying the harmony of proletariat and peasantry in Russia by the policy of forced collectivisation and thereby weakening national defence. Stalin's attempt under the First Five-Year Plan to collectivise the peasantry by sheer force in advance of effective industrialisation has left a legacy of social tensions and complications which are still a dangerous factor of weakness in the structure of the Soviet Union. Since 1934 Stalin has made considerable concessions to peasant individualism, but he has not been able to carry out any radical revision of policy because of the vested interests of the vast rural bureaucracy which he created in order to enforce collectivisation during the years 1928-33. In this, as in other ways, Stalin has become the prisoner of his own creatures. The Red army, however, became a medium for the expression of peasant discontent, and its leadership voiced the demand for a new political freedom, by which means alone the Stalinist bureaucrats could be called to account. Above all, Tukhachevsky and his associates denounced, as endangering the fighting power of the Red

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army, the renewed Russian oppression of the non-Russian nationalities under cover of centralised economic planning.

With these grievances against the Stalin régime, for which under the dictatorship there could be no remedy by legal and pacific means, the leaders of the Red army in concert with some civilian politicians of the Communist party finally resorted to conspiracy and planned the overthrow of Stalin by a military *coup d'état*. Erich Wollenberg, who served in the Red army from 1921 to 1936 and is devoted to the memory of Tukhachevsky, fully admits that there was such a plot, and in his book *The Red Army* he gives some interesting details of it. But what he denies, and what is quite incredible in view of the known political antecedents of the drama of May 1937, is that Tukhachevsky, Gamarnik, Yakir, Uborevitch and the rest plotted the defeat and ruin of the army they had built up with such remarkable zeal and energy and the surrender of Russia to that very capitalism they had spent their working lives in destroying. In Wollenberg's words:

Reasons of home politics required the Red generals to be slandered as spies and advocates of the restoration of capitalism, for it was impossible to send them to execution as champions of Soviet democracy and internationalism.

The "Eight Generals" and the great majority of those known to have been killed in the purges of the last two years have been executed without public trial, but a certain number of leading Opposition Communists have confessed in open court, not only to conspiracy against Stalin, but also to intentions of restoring capitalism, bringing about the defeat of the Soviet Union in war, handing over the Ukraine to Germany, eastern Siberia to Japan and central Asia to Britain, producing train wrecks and mine accidents, and otherwise acting in the service of counter-revolution. These extraordinary confessions are regarded generally with bewilderment in this country; it is assumed that they must either be true or else have been extorted by threats or torture, and both hypotheses are hard to accept in relation to such veteran revolutionaries as Kamenev, Smirnov and Piatakov—men who on their life

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records were equally unlikely either to have entertained the projects to which they confessed or to have confessed falsely under coercion.

The mystery is explained if it is remembered that these men were fanatical Communists, that propaganda for the party is a Communist's first and last duty, that self-accusation is the most convincing form of propaganda, and that, as Oppositionists persuaded by their own arrest of their inability to replace Stalin and by their consciences of the danger to the régime involved in the failure of their plot, the accused had good reason for giving their last services in order to avert what seemed to them an even greater evil than Stalin. All the Opposition Communists hated Stalin, yet he was in their eyes "the last Bolshevik"; they believed that he would always seek to maintain a certain minimum of socialism and prevent the reaction against the October Revolution from running its full course. A flood of light is thrown on their state of mind by a remark of Piatakov to Kamenev in 1929:

Stalin is the only man who can still be obeyed. Bukharin and Rykov are mistaken when they think it is they who would take power after him. It is the Kaganovitchs who would rule; I do not wish to obey any Kaganovitchs and I will not obey them.

The brothers Kaganovitch are here taken as the type of Stalin's courtiers, "the opportunists without scruples or convictions, the late-comers of the revolution". For the comrades of Lenin Stalin is still "one of us"; the Kaganovitchs are not. There is a greater evil than Stalin; therefore the accused Bolsheviks abased themselves and paid their tribute to the Leader, even though they hated him and knew they could expect no mercy.

IV. THE CRISIS AND AFTER

THE purges of the Red army, by completing the dissociation of Stalin's Russia from revolutionary internationalism, have made it easier for Russia to maintain alliances with capitalist States, but they have at the same time weakened her

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military striking power, not only by the elimination of so many of the ablest men, but even more by the destruction of the old fighting spirit of the Red army. The executions of May 1937 and the subsequent mass arrests and condemnations of officers of all ranks have had a most demoralising effect. As Wollenberg puts it:

If 60 per cent. of the men occupying posts at the head of the party, the state and the army under Lenin are spies and traitors, why not also the other 40 per cent.? . . . But since the officers' corps contains few men who really believe Tukhachevsky and the other Red generals guilty of treason, the only result of the "trial" has been to create an unbridgeable gulf between the army and the Stalinist ruling clique.

In these circumstances the new commanders of the Red army are not unnaturally inclined towards a cautious and tentative strategy and a limitation of military liabilities. Moreover, knowledge of their reluctance to undertake large-scale offensive operations was undoubtedly an important factor in the French decision not to accept Germany's war challenge this year. It was clear that Russia could only intervene decisively against Germany in a European war by marching through Poland. But Poland had made it known quite definitely that any attempt by the Red army to pass through her country would be resisted by force of arms, and Russia gave no assurance to France of an intention to break down such resistance. Litvinov's formula that the Soviet Union would assist Czechoslovakia "by all the ways open to us" repudiated responsibility for rendering assistance by any way not "open"; it amounted to an acceptance of the Polish ban.

With Poland neutral, Russia could make war only by sending aeroplanes and by moving some troops to the support of the Czechs along a single line of single-track railway through the Rumanian section of the Carpathians. The Carpathians, less high but far wilder at the present day than the Alps, form the greatest natural barrier in eastern Europe, and communications across them are far too deficient to allow a big Russian army to operate within their arc. Only the open

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plains of Poland would have given scope for a full-scale war intervention through Rumania—except in the air—could not have been a main factor in deciding the issue. The Soviet air force would no doubt have done much damage to Germany but it is unlikely that it could have saved Czechoslovakia if the French had failed to break through the Siegfried Line. However, the Soviet Union stood to gain either way; if Germany were defeated, the Nazi menace would be removed and if Germany were victorious over France and Czechoslovakia, Russia would be left in effective control of Rumania and thus in a strong position for making peace with Germany and securing her vulnerable south-western frontier.

If war had come in September, France would have had to bear the brunt of the land fighting against Germany, and London and Paris would have had to endure the weight of the German aerial offensive. Russia, fighting from behind neutral Poland, would have been only lightly engaged, and almost all her vital centres would have remained beyond the reach of German aircraft. France was unwilling to enter a war on these terms, and Russia, having made her assistance to Czechoslovakia conditional on French action, did nothing on her own initiative to help the Czechs. Russian intervention without France would have been useless.

The Red army to-day, purged of its world-revolutionary offensive spirit, is to an exceptional degree stronger for defensive than for offensive purposes. The vast size of the Soviet Union, the remoteness of its vital centres from its frontiers, and the deficiency of railways and good roads are advantages in defence against invasion, but sources of weakness for a movement of attack against a great Power. Transport is still the Achilles' heel of the Russian war machine, and several years must still pass before the "steam roller" can be sustained by an adequate system of communications. On the evidence of the Soviet press its the Russian railways cannot carry out a proper peace-time distribution of oil supplies; war-time demands would create appalling difficulties. Agriculture has been mechanised

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to such an extent as to have become dependent on a continuous supply of tractors and oil, and if too much transport and industrial production were diverted to military purposes, famine might result. On all counts the Soviet Government has good reasons for trying to avoid commitments at a distance and for concentrating on the defence of its own frontiers.

This does not mean, however, that the Soviet Union is not interested in what goes on outside its borders, or that its alignment in world affairs is unimportant. The rulers of Russia have no concern for the fate of the British and French colonial empires, nor have they any regard for the defence of democracy—which in their own political practice they utterly reject—but they do now recognise that Britain and France are sated Powers, whereas Germany and Japan are violently expansionist and geographically nearer to the Russian frontiers. There is, therefore, a real inclination of Russian foreign policy towards co-operation with France and Britain as long as those nations are making any effort to preserve an international balance of power and are disposed to value friendly relations with Russia. For the reasons given above it would be unwise to count too much on direct military support from Russia in any diplomatic calculations. But in a crisis there is not only the division between allies and enemies; there is also the distinction between benevolent and hostile neutrals. Russia in a world war, even without actually fighting, would have the power to grant to Germany, or to withhold, the raw material supplies that would probably make the difference between victory and defeat in a struggle with Britain and France.

Other things being equal, Russia will almost certainly withhold such assistance, because she fears an over-powerful Germany and prefers to see a balance of power in Europe. But if hard pressed by Germany and rebuffed by Britain and France, she could and would do a deal with Germany on these terms. Germany would then be able to turn against

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the western democracies with a terrific concentration of power. It is true that *Mein Kampf* dooms the Ukraine, and not the British, French and Dutch colonial empires, for conquest by the Third Reich, but that will not determine history if the Führer is once convinced that Germany's western neighbours are more vulnerable to attack than Soviet Russia; for a dictator nothing is unalterable except he need for success.

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I. HIBERNIA IRREDENTA

INSPIRED by recent European events, some of the Nationalist organisations in Northern Ireland have put forward demands for a county plebiscite on the question of reunion with Ireland. No doubt such a plebiscite would show that three of the Northern counties desire reunion. But if their wishes were granted, the only result would be to drive the remnant of Ulster into the British political system for good. Self-determination is, in fact, a double-edged sword. Mr. De Valera does not share the views of the Northern Nationalists, for in an interview, published in the *Evening Standard* on October 17, he renewed the proposal which he made during the Anglo-Irish negotiations in London last January. According to this plan, the residual powers over Northern Ireland now held by Great Britain would be transferred to an all-Ireland parliament, the existing Northern Ireland Government and Parliament to remain as at present and to give adequate safeguards for the Nationalist minority under its rule.

Urging Great Britain to take steps to persuade the Northern Government to settle the problem on these lines, which constituted in his view a practical but not an ideal solution, Mr. De Valera said it was possible to visualise a critical situation arising in the future in which a united free Ireland would be willing to co-operate with Great Britain to resist a common attack. While partition remained, the chances of such co-operation in the event of a European war were, he added, very slight. If such a war occurred whilst British forces were in occupation of any part of

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Ireland, Irish sentiment would be definitely hostile to any co-operation.

In a statement made to a meeting of the United Ireland party in Dublin on October 25, Mr. William T. Cosgrave T.D., the Leader of the Opposition, said that Mr. De Valera's interview was directed more to retaining political support than towards initiating a general move to find agreement on the removal of the border. If a serious attempt were in contemplation to find the way to end partition, the Prime Minister of Great Britain might be requested to arrange a conference between the Prime Ministers of Ireland, Northern Ireland and Great Britain. There was at least one common ground upon which this conference could be held, namely, a serious endeavour to find an agreed formula for the better government and defence of Ireland. If the policy of force for the removal of partition had been abandoned, the only policies that remained were negotiation and the power of attraction. What they required was not publicity and newspaper interviews, but some united effort to discover whether in fact our people would make progress if national problems and resources were tackled and developed in friendship and goodwill with Great Britain.

On his side, Lord Craigavon's response was the now somewhat hackneyed war cry of "No Surrender", and it is understood that the British Government will take no steps to interfere in a matter which it considers is one for Irishmen to settle themselves. It is certainly true that the situation arising from a divided Ireland might easily have serious repercussions in the event of war, for the Nationalist minority in Northern Ireland would probably adopt an intransigent attitude in which they would be supported by the extreme Republican elements on this side of the border. On the other hand, the reiteration of demands which cannot be satisfied only keeps alive old animosities, and does no good whatever. There is no short cut to the unity of Ireland, and it is both foolish and

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wrong to encourage the belief that there is. The only hope is the avoidance of irritation and the practice of conciliation.

II. A VOCATIONAL SECOND CHAMBER

WITH the Dail adjourned and our leading politicians recuperating after the general election, we have recently enjoyed a welcome rest from political controversy. The most important event has been the completion of the Senate election. This protracted performance terminated on August 18. Eleven of its sixty members are nominated by the Prime Minister, six are elected by the two universities, and the remaining forty-three are elected by an electoral college consisting of the Dail and seven members from every county and borough council. The members of the Dail and certain public bodies nominate the candidates. The result of this election was very similar to the last.* 129 candidates were nominated for the forty-three seats to be filled by the electoral college, but on this occasion the Labour organisation did not boycott the election, and nominated candidates.

Once more the political nominees swept the board, whilst some of the most eminent men in the country did not receive a vote. Mr. J. J. Parkinson, the well-known horse-dealer, again headed the poll as one of the representatives on the cultural and educational panel. He was closely followed by Mr. P. T. Kelly, the manager of the Royal Liver Friendly Society, and Miss Margaret Pearse, the sister of Patrick Pearse, the leader of the 1916 rising. Among the other successful candidates was Mr. Desmond Fitzgerald, formerly Minister for Defence and afterwards for External Affairs in Mr. Cosgrave's Government, who approaches politics from a philosophic angle, Mr. P. Hogan, a former deputy-speaker of the Dail, who was a Labour candidate, and Mr. Sean Gibbons, a Kilkenny farmer who

* See THE ROUND TABLE, No. 111, June 1938, pp. 533 *et seq.*

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was chairman of the last Senate and has now been re-appointed. Thirteen outgoing members were defeated, the most extraordinary result being the defeat of Mr. Patrick O'Malley, vice-chairman of the last Senate, and a prominent member of Mr. De Valera's party, who did not receive a single first preference vote. Mr. De Valera's nominations were the same as in the previous Senate, and there was no change in the university representation. Like its immediate predecessor, the new Senate will not be a vocational chamber, as was intended by the Constitution, but a political body like the Dail. The original Free State Senate, which Mr. De Valera abolished because it opposed his policy, was definitely more representative in every way. But the idea of a vocational second chamber is a sound one if it could be elected directly by vocational groups.

It is the almost entire absence here of any complete vocational organisation which is the difficulty. The late Senate, at its last meeting on July 14, passed a resolution asking the Government to appoint a small commission to examine and report on the possibility of extending vocational organisation by legislative or administrative action. Mr. Frank MacDermot, who proposed the resolution, said that his principal object was to lay a firm foundation for a vocational senate; but the motion had wider aspects than that, being based on the idea that it would be good to revert to an order of society where men were grouped more than at present on vocational lines. There was in Ireland, he said, a chorus of general approbation of the views of the Pope about social reorganisation, but he thought that the papal encyclicals had been more praised than read, more read than understood, and more understood than practised. If they were to get rid of the horizontal division between classes, with capital on one side and labour on the other, and to substitute vocational groups in which would be included every grade occupied with the activities which that group represented, would such a phenomenon as a Labour party be tolerable? It was very much to be desired that

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instead of complacently referring to the wisdom of the encyclicals, they should set their minds to work and face the difficulties. The principle of a vocational second chamber had, he said, been accepted, and the question now was how to put it satisfactorily into practice. Democracy had failed in some countries because it was inefficient. He believed in democracy, and wanted to make it efficient and to strengthen it. It would be a great advantage if they could contrive a second chamber where measures could be considered from a different angle and with less party pressure than in the Dail. Such a second chamber could bring into public life reserves of competence and ability that would not otherwise be at the disposal of the State.

Professor Tierney, who seconded the motion, said that the organisation of the whole country on vocational or functional lines was an object in itself, and in many ways a higher and more important object than the organisation of a second chamber. Vocational organisation, he continued, was the approved Christian method of escaping from the dilemma which had been presented to the world by the anarchy of modern materialistic capitalism on the one hand and the slavery of Communism, and various other forms of dictatorship, such as National Socialism, on the other. What was proposed in functional organisation was not the abolition of liberty or the destruction of democratic institutions, but rather the strengthening of each against attacks levelled at them from both sides. Unfortunately they had done little except in a tentative and superficial way to bring about a real social revolution on the Irish and Christian lines which their national claims had for a long time clearly envisaged. In Ireland they were very seldom conscious of their exact situation in this matter of social organisation or social policy. They presented the unique spectacle of an ancient people whose own native and traditional institutions had been entirely battered away by centuries of storm, and which had taken over in a very attenuated and superficial form institutions

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not made for it, but rather impregnated with ideas and doctrines entirely at variance with its natural instincts and with its whole historic past. They had therefore, he said, to begin almost at the beginning, and before they could make progress they must survey the ground. This involved some degree of State initiative such as the commission of enquiry suggested by the resolution.

As Mr. MacDermot and Professor Tierney are both members of the new Senate, and as Mr. De Valera is known to favour the development of vocational organisation, we may be certain that the last has not been heard of this important and interesting question.

III. THE BANKING COMMISSION REPORT

THE monumental report of the Banking Commission, which has been sitting for the last three and a half years, was published early in August. It is one of the most important public documents that has appeared since the establishment of the Irish State. The Commission was appointed in November 1934 by the present Government to examine and report on the system of currency, banking, credit, public borrowing and lending, and the pledging of State credit on behalf of agriculture, industry and the social services, and to consider and report what changes, if any, were necessary or desirable to promote the social and economic welfare of the community and the interests of agriculture and industry. The Commission, quite properly, put the widest interpretation on its terms of reference, and the result is a complete survey, not only of banking and currency questions, but of our entire economic life.

Its twenty-one members were presided over by Mr. Joseph Brennan, the very competent Chairman of the Currency Commission, and they included the head of the Department of Finance, the chairmen of the Industrial and Agricultural Corporations, several bank directors, three professors of Economics from the Irish Universities, a

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Roman Catholic bishop, representatives of labour, and two foreign experts, Professor Gregory and Mr. Per Jacobsson of the Bank for International Settlements. That a Commission of twenty-one should have produced a majority report signed by no less than sixteen, is in itself remarkable, having regard to the natural differences of opinion amongst its members. The Commission was in effect asked to discharge two tasks, one educational, to examine and explain the existing economic and financial system, and the other advisory, to report on its adequacy. The first task is fully and most efficiently discharged in the majority report, which deals with the history of Irish banking, the economic background, and questions concerning currency and credit. The chapter on Ireland's economic position is one of the most valuable in the report and, although it was written before the settlement of the Anglo-Irish dispute, its conclusions are still relevant and of fundamental importance.

In brief its findings are that no notable increase in our population can be expected in the immediate future, that in the absence of such an increase the home demand for foodstuffs cannot increase substantially, and that consequently nearly one half of our agricultural production will be available for export in spite of the Government's policy of self-sufficiency. Access to profitable export markets for our agricultural products will therefore in the future, as in the past, govern the prosperity and welfare of the agricultural community, who are the main body of the Irish people. As regards industrial development, the report points out that, whilst there is little evidence of any export of products from our new industries, there has been a marked decrease in the export volume of the older industries. The tendency has thus been to make agriculture increasingly responsible for the maintenance of sufficient exports. When studying the balance of payments the Commission was concerned to find some of the income items of a temporary and precarious nature, and considers

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it therefore most important that we should not impair the accumulated external assets which make Ireland one of the few creditor countries in the world, and which not only help to maintain the volume of imports and the standard of living, but are also one of the principal safeguards of our financial independence. They therefore advise that it is of the greatest importance that the money required for setting up new industries or for social development should be provided out of current savings rather than by the withdrawal of capital invested abroad.

As regards public finance, they point out that the dead-weight liabilities of Ireland are already as high as or higher than those of the Scandinavian countries, and that it is not so much the actual indebtedness already incurred that gives concern as the speed of its growth and the results likely to ensue if present trends continue. They point out also that our national and local government debt is increasing at the rate of £6,000,000 a year, and that whilst our national income is no more than £150,000,000, the annual collection of taxes and rates amounts to £32,000,000. They therefore call for an end to any further increase of the national debt and for a beginning of debt redemption. On the questions concerning banking, currency and credit, the majority report makes no revolutionary recommendations, nor were any such to be expected. As regards currency, they are clear and positive that the maintenance of parity with sterling is the only possible policy for Ireland, because it ensures the advantage of exchange stability with our principal market, Great Britain, and the sterling area, and enables Ireland to participate in a monetary and credit policy which is in general conformity with its interests and which possesses the confidence of the Irish public. Any other policy would, in their opinion, dislocate Irish trade and external investments. In this recommendation they follow the Banking Commission of 1926.

As regards commercial banking, they are satisfied that the existing system is satisfactory and adequate. The only

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serious change recommended is that the Consolidated Bank-Note issue, in which all the banks participate, should be allowed gradually to lapse. For many years there has been a strong demand in certain quarters for the establishment of a central bank, in spite of the fact that so long as the currency is convertible into sterling and the Irish banks keep their reserves in London, there is little use for such an institution. The majority of the Commission recommend that the present Currency Commission, whose functions are virtually limited to the issue of currency and the holding of sterling assets against the notes issued, shall be renamed and its functions enlarged by the addition of a research department to advise the Government on financial questions. But it will not be a central bank in the ordinary sense of that term, because the report does not contemplate that it will discharge any of the usual functions of such an institution. During the recent international crisis the Currency Commission very wisely sold sterling securities and purchased some £2,000,000 of gold in order that they might be able to discharge their statutory obligation to convert their notes into sterling on demand. This they were entitled to do under the Currency Act, which provides that cover for the country's legal tender issue may consist of gold or sterling securities.

Taken as a whole, the majority report contains much matter for political and economic controversy, as it is in effect a formidable indictment of the policies pursued by Mr. De Valera's Government since 1932. As Ireland cannot consume more than a fraction of her agricultural produce or produce more than a fraction of her industrial requirements, the report maintains that policy can only affect the margin between export and home consumption in agriculture and between import and home production in industry. Although the economic war is happily over, these fundamental conditions remain. In a speech on September 2, Mr. Erskine Childers, T.D., one of the new members of the Government party, said that they

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must resist the temptation to offer a defiant attitude to the findings of the Commission, because that was quite unnecessary. The recent favourable settlement with England made it possible to effect a compromise by not taking at 100 per cent. value some of the more conservative strictures of the report. In the long run he said it was a question of striking the right balance.

The principal criticism of the report has been that its economic teaching is timid and ultra-conservative, takes no account of the more advanced modern economic thought and teaching, and is more concerned with the economic than the social welfare of the community. Adoption of its recommendations would, for example, oblige the Government to terminate or drastically reduce its housing schemes. Its alleged defects in this respect are fully rectified by the three minority reports, which postulate that we can have without delay a high degree of economic as well as social welfare. Professor Busteed, who contributes the second minority report, is, however, careful to point out that if we want certain non-economic social values, we must be prepared to pay for them.

IV. ECONOMIC DEVELOPMENTS

THE good effects of the London Agreement* have already begun to be felt. Exports of all classes of agricultural products have increased, while prices have also shown an upward tendency. The visible adverse balance has shown a steady decline since March, and in August was half what it was for that month last year. Moreover, as a result of the Agreement, export bounties and subsidies have decreased by £1,400,000. The Prices Commission is now beginning the examination of existing tariffs, as provided by the Agreement, but it is not likely that these will be greatly reduced. The agricultural statistics show that the acreage under corn crops and hay is decreasing, but that pigs, sheep, cattle, and poultry have all increased in numbers.

* See THE ROUND TABLE, No. 111, June 1938, pp. 527 *et seq.*

ECONOMIC DEVELOPMENTS*

In spite of these improvements, there is no reason for excessive optimism, for the farming community will take years to recover its former prosperity and, unless the Government has enough courage to cut its coat according to its cloth in matters of public expenditure, no permanent improvement is possible. Our principal economic difficulties arise from unduly high costs which are due to high wages, inefficient labour, protection and excessive taxation both local and national. The farmer, our principal producer, is faced with rising costs and a statutory scale of minimum wages which the poorer farmers cannot pay. The transport situation is so serious that the railways have had to dismiss many employees and (with the consent of the men themselves) to make substantial reductions in the working hours of the remainder. The Great Southern Railways Company was given a technical monopoly of road transport in 1933, but this has proved illusory owing to the large increase in the number of private lorries, many of which are believed to be illegally acting as public carriers. It is clear that more drastic steps are necessary, and the Government is understood to be considering the matter with a view to legislative action. If something is not done soon, the Irish railways cannot survive. One of the bright spots on the economic horizon is the Electricity Supply Board, which controls the Shannon water-power scheme and the national electricity supply. During 1937 the number of units sold increased by 25 millions and the number of consumers by 14,747, whilst income exceeded expenditure by £410,952 and the average price per unit of current was reduced. This national enterprise is based on a sound development of our national resources, and the results achieved are in striking contrast to certain industrial developments which must rely on imports of raw materials, and to the alcohol and beet-sugar factories which depend on subsidies for their existence.

Ireland,
November 1938.

INDIA: THE NEXT PHASE

I. SHADOWS OF COMING EVENTS

PROVIDED world peace is maintained—and even otherwise—Indian affairs promise to return more prominently to the stage within the next eighteen months. Such provincial disturbance as occurs in the political sense is being accepted more and more as the natural democratic course, and the attention of political leadership is tending to concentrate on national issues. In a period when an unusual number of high officials have been on leave—in addition to an acting Viceroy, no less than six provinces have been under acting Governors—there has been more than the normal share of important events. While there has been little material disturbance of government, a marshalling of political forces is taking place in the expectation of important developments.

The belief, indeed the knowledge, that arrangements for implementing the federal part of the Government of India Act are approaching their final stage, the failure to achieve even a minimum understanding between the Indian National Congress and the Muslim League, and the threat of war itself have had reactions with important implications for the future. A negative but reassuring feature has been the serene concentration of Provinces on their domestic business. Intermittent threats of Cabinet resignations on ostensible constitutional issues have been conspicuously absent, and even at the moment when the Commonwealth appeared to be committed to war, Congress Ministries seemed as little disturbed as the rest. That is not to say that Congress Cabinets would have failed to down tools at the behest of their leaders, but the general impression was that any question of the attitude towards war would be

THE PROBLEM OF DEFENCE

used as a bargaining counter and the subject of negotiation rather than for any abrupt attempt to embarrass the British authorities.

II. THE PROBLEM OF DEFENCE

A VARIETY of factors have combined to bring the whole subject of defence very much to the fore in political discussion. The general conviction that Provincial governments can hope to obtain material financial help for programmes of national development only by procuring a reduction in Central expenditure naturally concentrates attention on the biggest item of the Central budget, namely, outlay on military maintenance. Political opinion was therefore seriously agitated when Mr. Hore-Belisha's British army reforms imposed further burdens on India. Little less concern was expressed by the Government of India. The country's defences have been left far behind the rapid modernisation of Western armaments and are, indeed, to-day in many respects markedly inferior to those possessed by states in even closer proximity. A complete revolution in equipment, organisation and training is regarded as urgently necessary. The Esher Committee of 1921 declared that the object of Indian army organisation was the maintenance of a force adequate to the defence of India and capable at need of co-operating with the British army in the field. Even if the army to-day is (for minor purposes) fitted for the first of these functions, it is certainly unsuited to the second. To modernise and reorganise the army in India will require considerable capital expenditure on equipment and maintenance services. The contention is advanced, however, that with an up-to-date force, the domestic needs of India might not demand an army of the numerical proportions at present maintained.

In the light of these facts, the Government of India made representations to His Majesty's Government, and conversations took place during the summer between the Secretary of

INDIA: THE NEXT PHASE

State with expert advisers and other members of the British Cabinet. While discussions were in progress, the new conditions of service for British officers were announced and involved a further imposition on the Indian budget for those on the Indian Establishment. Negotiation, however, resulted in an interim offer by His Majesty's Government. The British Cabinet proposed to obtain Parliamentary sanction for a capital sum up to £5 millions to re-equip certain British and Indian units in India; to assume responsibility for the replacement of a number of the obsolescent aircraft now employed by the Royal Air Force in this country, and further to add half a million sterling to the annual recurring grant of £1½ millions already payable under the Garran Award of 1933. It was further agreed to relieve India by the immediate transfer of four British battalions to the Imperial establishment. These announcements were made to the Central Assembly by Sir James Grigg, the Finance Member, on September 13; and within a month the transfer of British troops was effected. It was, however, clearly indicated that agreement had not been reached on all points—the relief offered is not necessarily sufficient—and the statement went on to announce that an invitation had been issued by the Government of India for the visit of an expert body of enquiry, with which the Defence Department of the Government of India would be associated.

A strong body representative of the Services and the Treasury has accordingly been appointed under the chairmanship of Admiral of the fleet, Lord Chatfield. The terms of reference are sufficiently important to quote and are as follows:

Having regard to the increased cost of modern armaments, to the desirability of organising, equipping and maintaining the forces in India in accordance with modern requirements and to the limited resources available in India for defence expenditure, to examine and report, in the light of experience gained in executing the British rearmament programme, how these resources can be used to the best advantage, and to make recommendations.

TRADE RECESSION AND THE RUPEE

III. TRADE RECESSION AND THE RUPEE

“THE limited resources available to India” is a reference to the present budget allotment for defence which is approximately £27 millions. Recently there have been enhanced demands consequent on the persistence of trouble in Waziristan, the British army reforms already mentioned and, of course, the international crisis. Unfortunately these developments have coincided with economic recession. After a financial year of such prosperity as to give material encouragement to the beginnings of provincial autonomy, 1938-39 has so far been a severe disappointment. Overseas trade has sunk in volume and value, with serious effects on the sources of Central revenue. The Finance Member read the signs last March and the Central budget was deliberately modest in its estimates; but even these careful expectations are unlikely to be realised unless returns unexpectedly record a rise in the second half of the financial year sufficient to offset the poverty of the first six months. Customs and excise returns, particularly on a dutiable export like jute, have declined on almost all commodities. As a result, economy is being strictly enforced by the Central Government. New schemes and appointments have been perforce postponed and material cuts ordered in departmental expenses. How far these measures will meet the situation is, of course, largely dependent upon events, but Sir James Grigg, who has nursed the Central purse with steady care for four and a half years and has managed to provide the wherewithal to meet the cost of the first stage of constitutional reform, is faced with a depressing prospect for his last accounting. He will probably be compelled to make adjustments in the hope that restitution may be possible in the future.

Advantage was taken of the decline in trade to promote a national drive against the exchange ratio of the rupee. A campaign was started in the nationalist press and the Congress President and Working Committee were induced

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to give their active support to the plea for a rupee at 1s. 4d. In an effort to increase pressure on the Central Government, Provincial Ministeries were asked to make direct representations to the Finance Member. An attempt was made to push a resolution in the Central Assembly demanding a non-official enquiry on the whole issue. The Central authorities, however, were adamant. A terse *communiqué* indicated that the Government were convinced that any disturbance of the ratio was not in the real interests of the country, and discussion of the subject in the legislature was consequently disallowed as liable to cause an unnecessary disturbance of the markets.

IV. THE APPROACH OF FEDERATION

ALTHOUGH successful in securing a comfortable majority and in rejecting all inconvenient amendments on other points, the Working Committee of Congress has not entirely disarmed suspicion and uncertainty of its policy among the rank and file. On the question of federation nothing more was permitted than reiteration of the rejection of the Government of India Act and the demand for a constitution evolved by a constituent assembly. There is generally believed to be division of opinion amongst the leaders on this subject. The President, Mr. S. C. Bose, had previously repeated in stronger language his determination to lead a break in the party ranks rather than accept any compromise. Mr. Gandhi, however, has found it necessary to declare through the columns of the *Harijan* that no difference exists between himself and such an uncompromising opponent of the Federal Constitution as Pandit Jawaharlal Nehru.

These declarations have been evoked by Lord Linlithgow's parting remark before going on leave to the effect that the prolonged period of preparation for the implementing of federation was drawing rapidly to a close. This was confirmed during recent weeks when confidential

THE APPROACH OF FEDERATION

discussions were held with the Chief Ministers of leading States to decide the procedure in submitting Instruments of Accession in a final form to the Princes. Two stages have to be completed—acceptance of the general terms of accession applicable to all and settlement of reservations peculiar to certain States. A vast amount of ground work has been completed in collating representations and drafting the results in suitable form. Simultaneously, the Central machinery is being readjusted so as to remove functions that under the Act are peculiar to the Governor-General as the representative of the Crown from those Departments which will become the responsibility of a Federal Ministry. The formation of a Governor-General's (public) Secretariat has been announced, and a section of the Home Department, which has been performing a dual function since the introduction of provincial autonomy, is being transferred for that purpose.

Meanwhile no serious difficulty is anticipated in procuring agreement on the terms of accession with the minimum number of States requisite to the inauguration of federation. Points of dispute still remain, but they are not believed to be incapable of settlement. Much greater concern exists over the popular agitations lately promoted in Mysore, Travancore and certain small States of Bombay and Orissa. Ostensibly representing "spontaneous and independent" movements for responsible government, these outbursts have taken violent forms, notably in Travancore. The action taken by State authorities to maintain order has been described in British India as "repressive" and "brutal". Officially Congress, which insists that federation is unacceptable unless the States have elective representation, has no connection with States' Congress activities. Congress is only anxious "to convert the Princes to the view that their true interests lie in voluntary surrender of power to the people". This is interpreted in the States as a hint that if Rulers agreed to the elective principle for federal purposes, Congress would help them to suppress disorder. At the

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moment prominent Congress leaders, like Mr. Vallabhai Patel, are active in "advising" the populace of the States in an "unofficial" capacity. Mr. Gandhi himself has interpreted the Congress dissociation from State affairs not as lack of sympathy for the people's aspirations, but as putting them on their mettle. Mr. Gandhi came into sharp public argument with the Dewan of Travancore when he advised the "Congress" of that State to pursue "non-violent direct action". This, it was suggested, constituted evasion of responsibility for the violent results. Many of the leading States have taken steps to examine the possibilities of gradual constitutional reform for their subjects, but there has been a tendency to slow up in consequence of events in States such as Mysore and Travancore, where representative institutions have already made some headway.

V. PROVINCIAL POLITICS AND SOCIAL REFORM

THE Provinces, busily implementing programmes of tenancy and agricultural relief, have had their domestic troubles. In the Central Provinces the ill feeling between the Mahakoshal and Mahratta groups in the governing party came to a head and created a constitutional crisis, involving the Congress party in a deal of heart-searching. The Premier, Dr. Khare, even after an effort by the Congress President to heal the breach, found it impossible to work with three of his colleagues. To rid himself of them he tendered his resignation to the Governor, Sir Francis Wylie, who, being unable to secure their resignations, dismissed the three Ministers and invited Dr. Khare, as leader of the largest party in the Legislature, to form a new Cabinet. Meanwhile the Congress Parliamentary Sub-Committee, after hasty consultations with Mr. Gandhi at Wardha, declared that Dr. Khare had flouted Congress authority and called on him to resign the leadership of the Congress Provincial party. Mr. Gandhi further accused the Governor of "ugly haste" in dismissing the three Ministers

PROVINCIAL POLITICS AND SOCIAL REFORM

and of conspiring to discredit the Congress. A meeting of the Provincial party with the Congress President in the chair elected Mr. Shukla, one of the three recalcitrant Ministers, in place of Dr. Khare, and the Governor summoned the new leader to form the Ministry.

The affair, however, did not stop there. Without holding any particular brief for Dr. Khare, public opinion as expressed in the Indian newspapers was far from happy about the manner of the Parliamentary Sub-Committee's interference with the Provincial party. Seldom has the Congress "High Command" had such a critical national press, and several influential papers denounced the attempt to blame the Governor. Dr. Khare himself proceeded to garner sympathy, particularly in Maharashtra, which has always been strongly independent, but the ex-Premier was felt to have somewhat overdone his "martyrdom" before the issue came before the All-India Committee. None the less the Working Committee had a hard time to gain sanction for further disciplinary action against Dr. Khare. So respected a Nationalist as Mr. M. S. Aney spoke vehemently against the attitude adopted, and although the leaders carried the day, parliamentary control from All-India Congress authority is likely to move more circumspectly in future.

It has been confronted with some delicate problems. In Sind, Congress is faced with supporting a minority government already pledged to an unpopular programme of land reassessment or risking the formation of a Muslim League government. In Assam, what seems to have been a temporary desertion upset the reigning Muslim Ministry and the local Congress leader formed a Cabinet only to find himself uncertain of a coalition majority. Meanwhile, the Congress party in the Punjab was having an anxious time. Sir Sikander Hyat Khan's Unionist Ministry carried through four Bills as drastic in the relief they offer the agriculturist as any parallel legislation in a Congress Province. The "Black Bills", as they have been called by the Opposition, are mainly designed to wipe out the zemindars' heavy

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burden of debt and to prevent the agriculturist from being in future under the financial thumb of the middleman. Mainly dependent on the Hindu urban vote for its elective support, the Congress group found itself seriously confused and is still having difficulties hardly assisted by extremist activities under the same banner. A zemindar in the Punjab is not so much a landlord as he is in other Provinces; he is rather a peasant proprietor. Thus, while it is easy for the Congress press in India generally to denounce the Punjab Unionist Ministry as reactionary on the score of being pro-zemindar, the charge has little meaning in the Province concerned.

In other Provinces most of the Congress governments have made efforts to reach agreement with the landlords on land reforms. Legislative measures take two forms, namely, relief to the tenant from dues to landlords and greater governmental demands on the landlords. Most of this legislation, when complete, requires careful examination by Governors and in some cases by the Governor-General, lest it be either repugnant to Central laws or expropriatory in the sense provided against under the Government of India Act. Hitherto, however, no serious trouble has been experienced in procuring adjustments of sometimes hastily drafted Bills to meet such objections. In the United Provinces, where zemindars have long held considerable privileges, agreement has so far been sought in vain. The zemindari organisations led a deputation to the Congress Working Committee without result, and the new legislation has emerged from select committee replete with vigorously worded minority reports. By drastically cutting down the rights of the bigger landlords while preserving a minimum to the smaller zemindar, it is sought to obtain the support of the latter who has several influential representatives in the provincial Congress party. There is now talk of referring the whole dispute to the "arbitration of Congress headquarters".

In Bengal a sustained attack was made at the beginning of

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August against the Ministry on the initiative of the Congress Opposition. Reinforced by a dissident Minister, the Opposition were hopeful of upsetting Mr. Fazlul Huq's Cabinet. There was intense excitement in Calcutta, and mass demonstrations in the streets resulted in a large number of the Government's critics spending the night in the Legislative Chamber waiting for the no-confidence resolutions to be moved. With the assistance of the European *bloc* the Ministry won. By present party divisions the Europeans hold a key position in Bengal and may do so also in Assam, and their opposition to Congress efforts to gain control has evoked protests linked to warnings from Congress leaders. The Bengal issue drew an important statement from Sir George Campbell, the European leader. He declared the Europeans to be by no means satisfied with many aspects of the existing Government, but that as between it and the Congress alternative they felt that the interests of the Province would be better served by maintaining the coalition in power. Congress suffer to no small degree by the wildness of speech displayed by supporters where the party is not in power. That is stated to be the reason for European reluctance to extend support to the new Congress coalition in Assam which has not yet faced its legislature.

The Bombay Government is strenuously pursuing social legislation. Practically the whole of the latest Poona session was occupied by the Trade Disputes Bill, a measure designed to regulate trades unions and to prohibit lightning strikes. Strenuous opposition to the Bill, which proposes imprisonment for those who disobey its provisions, was offered by the section of the Opposition which represents labour interests, and owing to their procrastinating tactics the Bill may drag on until well into November; but the Government is determined to pass it. In its efforts it has had the support of the Progressive group in the Assembly, which includes the Europeans. A major crisis, which might have involved the whole of India, was threatened over the

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Forfeited Lands Restoration Bill. This measure is intended to authorise Government to acquire compulsorily from the new owners lands forfeited to Government and sold during the civil disobedience campaign of 1930-31 for non-payment of taxes. The Bill provides for compensation to the dispossessed owners, but not on a generous scale. It was anticipated at one time that the Governor might have to use his special responsibility in connection with the measure, but certain modifications were made in the formative stages and the Governor gave his assent to its introduction. It was vigorously assailed in the Assembly, both in respect of its principle and provisions, but comfortable majorities were secured on all readings and the measure passed the Upper Chamber and now awaits the Governor's sanction. The Government claimed that in passing the Bill they were fulfilling an election pledge and it was generally understood that the Congress would have made the issue an all-India one if the Governor's assent had not been forthcoming.

VI. THE CONGRESS "HIGH-COMMAND"

WHEN they met in Delhi towards the end of September, the Congress leaders had many pressing problems to consider. The left wing of the party was bent on another trial of strength on several issues, and the right wing (which dominates the Working Committee) was equally determined to assert itself. There had been some downright criticism of the leaders' actions. The use of the old "repressive laws" to suppress anti-Hindi agitation in Madras and industrial strife in Bombay; the course of negotiation between the Working Committee and the Muslim League; the feeling that compromise on federation was not out of the thoughts of Mr. Gandhi and others; and the humiliating treatment meted out by the Parliamentary Sub-Committee in their removal of Dr. Khare from leadership in the Central Provinces, were all questions on which the "High Command" had been put on the defensive.

THE CONGRESS "HIGH-COMMAND"

The challenge was met at all points, and appropriate resolutions of confidence were carried by majorities which showed that the leadership continued to enjoy the confidence of 75 per cent of the All-India Congress Committee.

At Mr. Gandhi's instance a move was initiated to purge Congress ranks of undesirable elements not pledged to "non-violence and truth" and to examine the formation of a non-violent national militia. This was interpreted in some quarters as designed to prevent the infiltration into Congress ranks of extremist elements planning to exploit the prestige and, if possible, to capture the local and later the national machinery of the party. A resolution presented to the All-India Committee deplored the abuse of civil liberties as exemplified in speeches and certain sections of the press and declared that Congress Governments would not tolerate such attempts to provoke violence and hatred. Some remarkable speeches were made, an outstanding contribution coming from the Premier of the much-troubled United Provinces. The Hon. Mr. Vallabh Pant roundly declared that the maintenance of law and order and the security of life and property were synonymous with the preservation of civil liberty. All socialist efforts to amend this resolution were heavily defeated and in the end some thirty members headed by Mr. M. N. Roy walked out.

India,
October 1938.

GREAT BRITAIN

I. THE ORDEAL

WHILE the nations of the world outside Europe watched with absorbed and sympathetic interest—but at a distance—the unfolding of the grim drama of Czechoslovakia, the people of this island witnessed and endured the spectacle from the front-line trenches. It is the object of this article to convey some impression of the mind of Great Britain during the progress of the ordeal and to attempt an appraisal of the effect of that searing experience, now that the nation is taking stock of a new situation and pondering the future.

Ever since the Austrian *Anschluss* there had been a foreboding of more to come, which deepened as the now-familiar Nazi tactic was displayed against the Czechs—a press and broadcasting campaign of incredible virulence, a succession of “incidents” depicted as illustrating the “intolerable” character of Czech rule, and the massing of German troops. The dispatch of the Runciman mission of mediation was received on all sides in this country with approval and admiration. An easing of the tension was at once apparent. It seemed that at long last the democratic Powers had gained the initiative and that peace would be preserved, not by means of an act of surrender, but by an act of justice. In this regard it is important to recall that at this stage the generality of Englishmen were considering the problem as one of self-determination within the borders of the Czechoslovak State. Herr Henlein had declared that annexation to Germany was no part of the Sudeten German programme, and as yet no word to the contrary had come from Berlin. That the real issue at stake was not only the

elimination of Czechoslovakia as an independent democracy in alliance with France, but the substitution of German for French influence throughout central and south-eastern Europe, was appreciated by few. Accordingly, public opinion was optimistic. While disliking intensely the vulgar vilification employed by the German press, and admiring *per contra* the dignity and restraint of the Czech authorities under extreme provocation, most Englishmen acknowledged that the claim of the Sudeten Deutsch to be free to live their lives in their own way could not reasonably be resisted. As the efforts of Lord Runciman brought Czech concessions more and more closely into line with Sudeten demands, hopes ran high. It seemed that the most urgent of the few remaining grievances against the Versailles Treaty was about to be removed by the peaceful transformation of Czechoslovakia from being a spear-head (with a French haft) aimed at Germany into a neutralised state on the Swiss model. That done, the corner would be turned, the long strain of violent re-adjustment ended; and Europe could look forward to the opening of a new era of peaceful collaboration.

Then the break came. The too-promising negotiations were broken off on the excuse of fresh “incidents”: Sudeten “Free Corps” began to raid the Czech frontier, and formidable German forces were moved up. Clearly a German invasion had become imminent.

British (and, of course, French) opinion was now called upon to adjust itself—to abandon the original conception of a Czechoslovakia, reformed but intact, for the more drastic solution of partition. Reluctantly and with hesitation the great majority came to the conclusion that they were prepared to acquiesce, rather than engage in a war that could not in any case save Czechoslovakia from devastation, provided that the cession was carried out on a genuinely ethnographical basis and under international control. The analogy of the Saar was recalled. The effect of the news that the Prime Minister had requested an

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interview with Herr Hitler and would fly to Berchtesgaden on the following morning was electric. Here, it was felt, was leadership, swift and resolute, such as men had begun to despair of finding in a democratic system and for which they had been hungry. Support remained enthusiastic, though hopes were dashed a little by the unexpectedly quick dismissal of Mr. Chamberlain at Berchtesgaden after a conversation with the Führer of only two hours.

The *riposte* to the Anglo-French proposals (accepted by the Czechs) was the Godesberg "ultimatum" with its time-limit. Had events not moved so swiftly and the Prime Minister not kept pace with them, the nation would have been obliged to choose between fighting there and then or abandoning its second position for a third, which involved acquiescence in an immediate German invasion and the partition of Czechoslovakia at the point of the sword. But as Mr. Chamberlain drew to the end of his speech in Parliament (on September 28), in which he announced that the conversations at Godesberg had resulted in deadlock, news came to the House that Herr Hitler and Signor Mussolini had responded to his final appeals, that the principle of a negotiated settlement had been accepted.*

There can be no doubt whatever that if Herr Hitler had stood fast by his Godesberg programme, Great Britain and France would have gone to war. Public opinion in both France and Great Britain had stiffened and the attitude of the two Governments had hardened in consequence. The man in the street had decided that he was not prepared to precipitate himself and his family into the horrors of modern warfare in an attempt to preserve the territorial integrity of an artificial agglomeration of races which Germany, with much reason, regarded as a standing menace to her security. The medicine was extremely distasteful, but it was accepted as the inevitable penalty for past errors. On the other hand, when the Prime Minister returned from Godesberg and the nation learned of the new

* See Documents No. 22, p. 219.

THE ORDEAL

demands, of the Czech rejection and Herr Hitler's insistence on taking what he wanted by armed force, the British reaction was immediate. The issue had shifted from the almost impossible proposition of fighting to save Czechoslovakia to the direct question of resisting or submitting to the mailed fist: and there was no doubt in men's minds of what the answer must be. For the first time since the crisis began Herr von Ribbentrop's estimate of the British reaction—upon which the Führer evidently relied—was proved to be wrong.

Among the people something akin to a sense of relief was discernible. At last the issue had been clarified. The period of heart-searching—the endless discussions round the fireside, in clubs and public houses and at the street corner—the long strain that had reached an almost intolerable intensity—were over. Gone too, it seemed, was the prospect of "letting down" a people who, with all their past mistakes, were small, essentially decent and democratic. And there was the comforting knowledge that world opinion was solidly in support. The atmosphere of cool, resolute determination to see it through was reminiscent of the fateful days before the outbreak of war in August 1914. The fleet was mobilised, the anti-aircraft defences were manned, some 40 million gas-masks were distributed to the civil population, and plans that had been worked out for a large-scale evacuation of London were set in motion.

Much—perhaps too much—has been made of the confusion that followed. The response to the call for national service of all kinds was as magnificent as the previous lethargy had been deplorable. Thousands who had previously ignored appeals to help in A.R.P. rushed to offer their services—and they were totally untrained. Local authorities were shouldered with colossal tasks and at the same time were expected to find and organise the requisite personnel. Brilliant improvisation took place under high pressure, accompanied by inevitable overlapping and lack of

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co-ordination. If any proof of the crying need for a national register and the careful allocation beforehand of the services of every member of the community had been needed, this crisis provided it.

The nation set about the task of preparing for war with quiet resolution: as in 1914, initial dislocations would have been rapidly rectified. But it was perhaps as well that not until after the crisis was it generally known how serious had been our lack of preparedness in military defence—how anti-aircraft batteries were served out with equipment that they had never seen before, the almost unbelievable deficiency in the number of guns and search-lights. After three years of rearmament and the allocation of £972 millions the situation of our defence system at the time of trial constitutes a heavy indictment of administrative incapacity. It was also an indictment of the nation itself. The general reluctance of industry to submit to regimentation, and the poor response to Government appeals for A.R.P. and other forms of national service—due largely to the easy-going belief that collective security could obviate the necessity for sacrifice—would have thwarted the most efficient administration. Apparently, the democratic machine can only function at high speed under the impetus of an obvious emergency. That impetus has now been provided by the results of the crisis.

When Mr. Chamberlain went to Munich it was naturally assumed that he would either come home to declare war, or, more probably—since Herr Hitler's consent to a conference presumably meant a retreat from the Godesberg position—would return with a freely negotiated settlement on the basis of the Anglo-French proposals. The Prime Minister in his final appeal to the Führer had said that he was sure that by consultation agreement could be reached "in a week". When the B.B.C. announcer at midnight on September 29 reported that the conference was still sitting and that an announcement was expected shortly, it was obvious to listeners that a rapid decision was

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being forced. Those of us who lived through that experience, sitting by our wireless sets in the small hours of the morning, waiting while the fate of Europe—and probably of western civilisation—hung in the balance, are never likely to forget it. Half-past twelve, one o'clock, half-past one—and so on every half-hour came word that the four statesmen were still talking: and then, at half-past two the terms of agreement were read out. "At the last last minute", to use the Prime Minister's phrase, force had apparently given way before reason. War was averted and we stumbled wearily to bed, but with a load lifted from our hearts.

The surge of passionate gratitude to Mr. Chamberlain that swept through the country, and indeed through all Europe, spreading the widening circle of its ripples to the ends of the earth, is a well-known story. The tumultuous welcome of dense cheering crowds all along the route from Heston aerodrome to Buckingham Palace and the scene in Downing Street where the Prime Minister (as deeply moved as they) looked down upon the throng and declared that like Disraeli he had brought back "peace with honour", have been condemned in the ensuing revulsion of feeling as ridiculous hysteria. It is a superficial judgement. As the crowd streamed out of Downing Street into Whitehall, it was noticed that a new wreath had been placed at the foot of the Cenotaph. It bore this inscription—"And so they did not die in vain".

The deep emotion that stirred the people and gave Mr. Chamberlain a reception such as no other British Prime Minister had ever received was not evoked primarily by relief that our skins had been saved, but by a conviction that the almost unbelievable thing had happened, that the vision of the rule of law in international affairs—born out of the sufferings of the great war and shaped in a League of Nations—had emerged, after being almost blotted out in eighteen years of triumphant violence, like a shining light in the darkest hour of all. The chill of reaction set in

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when it gradually became clear that the commission of ambassadors in Berlin were conceding to Germany even more than had been demanded at Godesberg. The profound shock of that realisation inevitably gave rise to angry talk of "cowardly betrayal", and the vast majority who refrained from comment were no less sensible of a national humiliation.

II. STOCK-TAKING

THE shock of disillusionment has produced something more than a disposition to blame Mr. Chamberlain for a weak surrender. The potential value of the Anglo-German declaration, signed on the morrow of the Munich Agreement, is not under-rated; but the fact that the ambassadors in Berlin were helpless to resist the suave but implacable demands of the German representative, backed as they were by the unanswerable argument of a German army in control, has led to an appreciation of the realities of the situation. It was realised that Czechoslovakia as a political factor had been eliminated and German supremacy throughout central Europe had been established because France and Britain had lacked the military preparedness that was necessary for the negotiations at Munich, and afterwards at Berlin, to be conducted on level terms. That lesson was driven home with increasing force as the weakness of our own territorial defence arrangements was revealed in the press.

The crisis has thus brought the nation hard up against the reality that we must now live in a Europe in which Germany occupies a commanding position. It is accordingly determined to subject every aspect of its external relations and all that bears upon that question in internal organisation to a searching scrutiny. Viewed in that light, the crisis may prove to be a turning-point in the history of this country and of Europe very different from what was envisaged during the period of exaggerated

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despondency immediately after the Munich-Berlin settlement. In conducting this "grand inquest", the nation is clearly in desperate need of resolute and (if need be) of drastic leadership. It is not disposed to throw over Mr. Chamberlain because he failed to achieve the impossible for Czechoslovakia: the result of the Oxford by-election is evidence of that. Mr. Quintin Hogg (son of Lord Hails-ham) standing as a Conservative, polled 15,797 as against 16,306 polled by the Government candidate in 1935, while Mr. A. D. Lindsay, who recently terminated a distinguished term of office as Vice-Chancellor of the University, and who, as an Independent Progressive (supported by Labour), denounced the Prime Minister for truckling to dictators and failing to prevent aggression by means of "collective security", received 12,363 votes, as against 9,661 polled by the Labour candidate in the previous election. The slogan—"A vote for Hogg is a vote for Hitler"—failed to convince.

Meanwhile Mr. Chamberlain is going straight ahead with his policy of European appeasement, profoundly convinced that the remaining questions at issue between the totalitarian and the democratic Powers can be settled by means of peaceful negotiation and co-operation. The Anglo-Italian pact is to be put into operation in consequence of the withdrawal of 10,000 Italian troops from Spain: after preliminary conversations in Paris discussions are apparently to take place on general disarmament—and possibly on colonies. It is a definite lead and a clear-cut policy. Against it one section of opinion is violently in revolt: the remainder—at present it would appear to be the majority—is watching doubtfully, attracted by the prospect of a new era of peace, but not convinced that sweet reasonableness will of itself suffice when speaking with the enemy at the gate.

On this fundamental issue between "standing up to" or conciliating dictators party alignments—it may be noted—have lost their meaning. The Eden's and the Duff Cooper's of the Conservative benches are of a like

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mind with many of the Opposition members, while Mr. Maxton is as determined as Mr. Chamberlain himself that British working men shall not be set to slaughter their fellow workers in Germany. When opposing convictions cease to correspond to party divisions, parliamentary debate becomes unreal and relatively insincere.

The nation as a whole is acutely aware that Anglo-French predominance, resulting from victory in the great war, is now a matter of history, that the conception of an international society has foundered because the principle of the rule of law was prostituted to perpetuate an impossible inequality, and that the reversion to the rule of force has come within measurable distance of universal acceptance in Europe. The terms of the Versailles Treaty might have been upheld for some time longer by the consistent use of military power—notably when Germany re-militarised the Rhineland zone—but it was illogical to expect a defeated and humiliated foe to accept inferiority as the immutable concomitant of a nobler world, and it was immoral to try to build the City of God on lop-sided foundations.

The British people are aware of all this—the miserable progression from Manchuria by way of Abyssinia to Czechoslovakia has provided convincing instruction. What they fear is that the noble efforts of the Prime Minister may haply produce a worse disaster because the foundations are lop-sided in the opposite direction. Equality of status is just as fundamental for a European as for a British commonwealth of nations. How can such equality be achieved and maintained by a policy of appeasement, however bold and fair-minded, if behind the negotiator is an administration that is notoriously incompetent and a nation with its right hand tied by weakness in defence against air attack—a subject of ridicule for its rivals and of consternation for its friends? The steady flow of articles and letters in the daily press and in the weekly reviews and of speeches in Parliament—from all parties—provides abundant testimony of a widespread dissatisfaction and resentment. A durable

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settlement and genuine co-operation with Germany can only be secured on a basis of respect, and if negotiated from conscious strength and not from weakness. That is why there is a growing volume of insistent demand for a thorough reconstruction of the administrative machine and a regimentation of the national resources in man-power and industrial productivity. The humiliation over Czechoslovakia has roused the nation as it has not been roused since 1914: it is ready and eager for personal sacrifices and, if need be, for drastic measures. It is no longer waiting, it is clamouring, for leadership.

So far the governmental response has been slight. The recent changes in the Cabinet have left the situation substantially unaltered. The only step in the desired direction has been the appointment of Sir John Anderson as Lord Privy Seal, who will act as Minister for the co-ordination of civilian defence. Proposals for a Ministry of Supply (with strictly limited powers of compulsion) have been turned down, and instead of a national register, a form of voluntary registration is promised. Meanwhile a foreign policy of appeasement in weakness is being vigorously pursued.

That is not to say that Ministers are unaware of the necessity of accelerated re-armament. On November 11 Sir Kingsley Wood announced in Parliament that the Air estimates for next year would be about £200 millions as compared with £120 millions for the current year, that the first-line air strength would be increased by 30 per cent. over the programme already authorised, and the fighter aircraft now on order or to be ordered numbered between 5,000 and 6,000. That is all to the good. But the electorate is deeply aware of an even more fundamental need. It is passionately convinced that democracy can be as virile as totalitarianism, that in time of peril all classes and all parties are capable of acting together with an unmatched mobility and unity of purpose for the preservation of the way of life in which they believe. The conditions under which a democratic system can so function are now present.

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What is being demanded is not simply "a stand" against the demands of dictators but the vindication in action of the validity of democratic principles.

The situation is grave, and not less so because the average citizen on examining the personnel of the Opposition and perusing their speeches of irresponsible bellicosity and superficial talk of cowardice and betrayal turns impatiently away with a sense of misgiving that democracy is being undermined by the mishandling of foreign affairs for party purposes. The democratic system is on trial for its life, and he knows it. He has watched with admiration the fervent readiness of the German people to sacrifice individual comfort for the benefit of the community, and he has noted with envy the physical fitness and discipline of the German youth. He recognises the dynamic power thus engendered; and at the same time he is profoundly convinced that a democracy—once it is roused and inspired by quality of leadership—can reach higher levels of attainment by the richness that resilient individualism contributes. Democracy—in Britain as in France—is waiting for a lead. Whether or not it is forthcoming is more important for the future of Western civilisation than even the production of Bren guns and fighting planes.

CANADA

I. FOREIGN POLICY AFTER MUNICH

WHAT lessons has Canada learned from the crisis, and how are they likely to affect her future action? As a first lesson—that it is high time she took stock of her position in respect of preparedness for war, since it is generally accepted that whatever may be said for the peace being "peace with honour", it is most certainly "peace with apprehension" for democratic states. In other words, it is generally felt that despite Mr. Chamberlain's declaration that any attempt to dominate by force or the threat of force should be resisted, it was precisely the threat of force that carried the day. And this impression naturally deepens as in the event the difference between Godesberg and Munich shrinks to insignificance. The following editorial comment of the *Toronto Saturday Night* expresses fairly accurately the views of most Canadians on the nature of the "peace" which was negotiated at Munich, though there would not be by any means unanimous agreement with its conclusion as to Canada's proper course.

We do not think anybody need be surprised at the extent and immediacy of Herr Hitler's demands upon the British Empire. He has every reason to realise that he can for a short time cash in upon his military and strategic superiority, and that if he is going to do so, he will have to do it before the British can render their own armament adequate and before the Americans appreciate the importance of coming to the defence of democratic principles while they are still capable of being defended.

What the British are going to do during this period of inferiority is something of a problem. They cannot be perpetually playing for time, for Herr Hitler has a habit of

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putting a date limit upon his ultimatums and refusing to allow of any postponement. He is to-day in a much better position to retain the support of the German people if he goes to war than he was a few weeks ago; for the German people have had fairly convincing evidence that the democracies are afraid of them, which is exactly the kind of assurance which is calculated to make them bubble over with enthusiasm for the attack.

Speed in defensive preparation and rearmament is very evidently the one imperative requirement of the British situation. In these preparations Canada, it seems to us, should join as wholeheartedly as she can. If Herr Hitler decides to precipitate the struggle in the near future, it will again, as in 1914, require a considerable time to bring the military resources of the United States to bear on the situation; but those of Canada should be available for what are likely to be the crucial weeks at the beginning of the conflict. It is fairly evident that the United Kingdom will enjoy the full and cordial co-operation of Ireland in any such struggle, and Canada cannot afford to be much behind that sister member of the British Commonwealth.

While there would no doubt be dissent, in isolationist quarters, from such a forthright policy of participation by Canada, there is no real denial of the need to arm or of the fact that a very large number of Canadians favour such a course.

The prospect therefore is that the Government will at once proceed, with the approval of all political groups including the French-Canadians, greatly to expand its military, naval and air programme which—as the Minister of Defence, Mr. Mackenzie, has frankly declared—has ever since the great war been lamentably restricted. Support for such a policy will be fairly general, though the reasons for it will vary. The French-Canadians will think purely, or almost so, in terms of defence while Imperialists, Leaguers and anti-Fascists will think in terms of equipping the country to play its part in the struggle which may come against dictatorship aggression. In other words, there is a real union of Right and Left, based on a common detestation of all that is meant by aggression and a common desire that Canada should play her part in making the world safe from it. So long as it continues to be felt that Britain is the leader of this cause, this *union sacrée* will endure

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and gain strength, and Canada as a whole will be drawn closer to Britain and the rest of the Empire. While Canadians will less and less be able to understand and support a policy involving alliances and counter-alliances, and power politics generally, the majority of them can understand and support a policy of standing together against aggression.

In the last analysis everything will depend on the answer to the question: Was the Munich Pact a settlement that really paves the way toward general European appeasement, or was it rather a settlement in which France and Britain suffered a serious defeat, and which marks the beginning of a real shift in the balance of world power so far as Britain and France are concerned? It is obviously impossible to come to any conclusion so soon after the event, but the news since Munich has not been reassuring.

If the implications of the crisis are in the direction of a decline of British prestige, the effect on Canada's position, especially in relation to the United States, will be very far-reaching. If brute force is to have its way in Europe, and if there is no evidence of a deep spiritual opposition on the part of Britain to the totalitarian philosophy, it will strengthen enormously the feeling in the United States that North America must keep clear of the European mess, and Canadians will be forced, more slowly and reluctantly than the Americans, but almost as surely, into the same attitude. If Canada must arm, it is almost inevitable that there will be some measure of co-ordination or co-operation with the United States. It is safe to say that there has recently been a subtle and not easily defined change in the attitude of large numbers of Canadians towards co-operation with the United States. This may come to nothing more than the perpetuation of the "good-neighbour" relationship; but under the pressure of repeated crises, such as we have just had, it is hard to tell how far it might go. Even French-Canadians might be forced to reconsider their isolationist attitude, and if they

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did so, it is safe to say they would discover that they were North Americans.

On the other hand, if it becomes clear as time goes on that Britain, having failed in her bid for a general European appeasement, is not prepared to acquiesce in the substitution of force for the rule of law in international affairs, but proposes to take the lead in withstanding it for which he place in the world both political and geographical inevitably marks her out, the movement of opinion in Canada and the United States during the crisis gives good ground for believing that both North American countries, the United States more slowly and reluctantly than Canada but almost surely, would recognise that Britain's cause was their cause and would rally to its support.

This, broadly speaking, is what happened twenty years ago, and the trend of the last twenty years, as thrown into relief by the events of the last few months, justifies the conclusion that history will repeat itself. But the conditions precedent would be, as has been said, a well-grounded confidence that British foreign policy was not controlled by party or class interest, but was framed and conducted with a single eye to the national and Commonwealth interest of making the world safe from aggressors.

II. THE C.C.F. MOVEMENT

THE Co-operative Commonwealth Federation, a political party formed and carried on for the purpose of promoting certain policies, mainly socialist in character, in the legislative spheres of the Dominion and its nine Provinces is six years old. It has only six representatives in the Dominion House of Commons, but in the four most westerly provincial Legislatures it has a representation of twenty-six, which is exceeded only by the Liberal and Social Credit parties; and in the not improbable event of the Social Credit party losing ground, it is quite likely to inherit a number of the constituencies now supporting

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at doctrine. On the other hand, it has almost completely failed to make any impression in the two great central provinces of Ontario and Quebec, where it has to face in the one case a long-standing tradition against partisan political action on the part of organised labour, and in the other an unqualified hostility on the part of the Roman Catholic hierarchy. In the Maritime Provinces, where the onset of depression came somewhat later (as in the west it was a good deal earlier) than in the centre of Canada, there are predictions that the new party will begin to make important gains; but against this is the fact that the non-socialist "co-operative" movement has been making great strides in the most depressed areas under the leadership of the Roman Catholic institution of St. Francis Xavier College, and that it will be difficult for a socialist party to recover the ground thus occupied, even in Protestant communities.

It will not be denied by anybody familiar with Canadian public life that the intellectual power of the C.C.F. representation in the legislative bodies is immeasurably greater than its numerical strength. Professor Frank Scott, though an ardent party member, probably did not much exaggerate when he said in a recent article that in the Dominion House "the six C.C.F. men are a far more vocal, intelligent and effective opposition than the thirty-nine Conservatives"; and Mr. Woodsworth, the Dominion leader of the party, a man of sixty-four with an exceptional wealth of parliamentary experience, is equalled by few except the leading Cabinet Ministers in the influence which he wields and the respect which he enjoys. The position and prospects of such a party cannot fail to be a matter of the greatest interest at a time when there are imminent signs of a breakdown of the old Liberal *versus* Conservative alignments, and the nature of the new arrangement of contending forces is still obscure.

Nevertheless, there are rather strong reasons for doubting whether, in the process of development of the new "party

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of the Left" which should as a natural consequence follow the disappearance of the Liberal and Conservative cleavage, the C.C.F. will play as prominent a part as its intelligence alone ought to win for it. For this there are two main reasons. In the first place, the party is too much imbued with socialism. In the second place, it is, in its internal structure, too democratic.

The very name, Co-operative Commonwealth Federation, is itself an admission that the idea of socialism is not yet in Canada a good advertisement. True, this name was adopted six years ago; but there is little evidence that socialism is a better war-cry to-day than it was then. If anything, the numerous changes of objective on the part of the Union of Socialist Soviet Republics, and the lack of evidence that its efforts have greatly ameliorated the working conditions or liberties of the Russian workers, have slightly damped the enthusiasm of many Canadian socialists, and increased the suspicions of many who dislike the present economic structure but hesitate to overthrow it in favour of a new and untried one. The depressed classes still want to get rid of the power of the possessing classes; but they still recoil from the idea of doing so by setting up "a planned system of social economy for the production, distribution and exchange of all goods and services", along with "socialisation of the banking, credit and financial system of the country", and in British Columbia and other Provinces where there are large numbers of unassimilable aliens they still distrust "equal economic and social opportunity without regard to sex, nationality or religion". All these are planks of the 1932 platform. It is true that the C.C.F. carefully excludes agriculture from the operation of its socialist principles, by regarding the farm as the "home" of the farmer and offering "security of tenure for the worker and the farmer in his home", together with insurance against crop failure. But the predominant elements in the party are not agricultural or rural, they are urban and industrial or professional, and the old

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Granger organisations, which looked forward to the domination of the world by a vast, possibly world-wide, association of wheat-growers which could dictate terms to banks, transportation agencies, millers, grain exchanges and everybody else, have little wish to share that power with a bunch of trade unions. They fell in love, for a time, with Social Credit because it promised to relieve them of the worst of their present enemies, the creditors, and provided them with a figure to hate in the person of the international banker—just as Herr Hitler provides the Germans with a figure to hate in the person of the Jew. But the Socialists, as distinguished (and they insist upon being distinguished) from the Communists, hate nobody and nothing but the System, and offer no relief from the creditors until they have demolished the System and replaced it by something else, which obviously, and admittedly, will take some time.

Socialism, furthermore, is anathema to the Roman Catholic element which constitutes 41.3 per cent. of the population, and consists almost entirely of devout and practising members, fully amenable to clerical leadership. The C.C.F. is almost under a ban in the Province of Quebec, where a law (of questionable constitutionality) permits the Attorney-General to padlock any premises which he believes to be used for the propagation of an undefined doctrine called "communism". The avoidance of the term "socialism" in the platform has completely failed to disarm the hostility of this part of the electorate, which, however, has shown no dislike for Social Credit, and would presumably be tolerant towards various other possible Left movements, provided that they can show a clean bill of health as regards all Marxian taint. It may be added that any Left movement that could succeed in detaching a substantial number of Canadian Roman Catholics from their obedience to the Church would have to be much more violent in its tone than the C.C.F., and even then would only succeed in gathering in an insignificant fraction

among those already disposed to resent ecclesiastical discipline.

The Co-operative Commonwealth Federation is too democratic. In the successful political parties an enormous amount of power is vested in the leader, who is checked only by the necessity of conciliating some non-party voters and preventing the revolt of too many of his followers if he is to win or retain power. In the C.C.F. the power of the leader is extremely limited, and Mr. Woodsworth is not the sort of man to seize more than is given to him. Incredible though it may seem, this six-year-old party has had no less than six party conventions. It was formed at Calgary in 1932. It drew up its Manifesto at Regina in 1933. It has met on four occasions since, the last and most important being at Edmonton in the summer of 1938. Its major meetings, it will be noted, were all in the prairies. Unlike the Ontario Conservatives, who were told a short time ago that "your leader is your policy", the C.C.F. makes its policy its leader, and draws it up in the greatest detail every time it gets together. That the purpose of the intellectual group which dominates these gatherings is a noble one, nobody will dispute, but the result is to expose the party to a great deal of hostile fire which might be avoided by greater discretion. After all, a party which exists to promote socialism might be pardoned for a good deal of vagueness in regard to other questions, especially such as will cease to be questions when socialism is established.

The three most notable subjects on which the party expressed itself at Edmonton were the tariff, international relations, and the liberty of the citizen. Of these the whole approach to the tariff would obviously be different under a socialist régime from what it is under a non-socialist régime; so that the pronouncement in favour of a heavy reduction of tariff rates has nothing to do with the party's main objective. In other words, if it got into power and could thus carry out both its socialisation policy and its

tariff policy, the latter would have to be entirely different from what it is now. Meanwhile it needs votes for socialism both in the east and in the west, and while its low-tariff policy is excellent politics in the prairies, it is very poor politics among the working classes of the industrial cities.

The liberty of the citizen is pretty good doctrine for the depressed classes in any part of the country, and enables the party to work up a good deal of resentment against the Province of Quebec, where it would not get many votes anyhow. But voters who have studied the actual workings of socialist governments in practice in any part of the world, or who have read the franker expositions of socialist plans of campaign in Great Britain (such as G. R. Mitchison's *First Workers' Government*), are apt to suspect that the party's interest in liberty of expression is greater now, when it is in opposition, than it would be if it were in power. To do the C.C.F. justice, its leaders are probably quite unconscious of any prospective inconsistency; but the belief is widespread that they would, if they found themselves in a position to do so, sacrifice a good many of the safeguards of democracy in order to save the country from the evils of capitalism.

On international relations both of the old parties practise a strongly non-committal vagueness of verbiage in the desire not to alienate either of the extremes of Canadian opinion, the highly independent and the highly imperialist. The C.C.F. view is that the imperialist attitude is the result of capitalist influences, and should be combated by all socialists. If international relations were a decisive factor in Canadian elections, this should enable the C.C.F. to ally itself with the bulk of French-Canadian opinion, but, as already pointed out, there is no chance of such an alliance because the party's socialism outweighs its anti-imperialism in Quebec's estimate. Both Quebec and the C.C.F. desire to see Canada abstain from some of the conceivable wars in which Great Britain may be expected to engage;

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but the reasons for abstaining, and the kinds of wars to be abstained from, are widely different in the two cases, and the two elements are at one only in the belief that Canada should possess the right to maintain neutrality in a British war. Even here they are not wholly agreed, as the C.C.F. now wants the right to neutrality to be declared in advance, while Quebec will be satisfied with seeing it put into force when occasion arises. Both would like to see certain "commitments", such as the agreements for the British use of Canadian harbours and the arrangements for munition supplies from Canada, which they fear may operate to prevent neutrality, abrogated as soon as possible. On the other hand, the C.C.F. would have Canada join Britain in any war entered upon for the maintenance of a true system of collective security—the political colour of the British Government at the time would probably have a great deal to do with determining what is and what is not a truly "collectivist" war—while Quebec would have no more interest in such a war, especially if waged by a group of Popular Front governments, than in one waged for the most purely capitalist reasons. Now that war over Czechoslovakia has been avoided, the C.C.F. is convinced that it would have been a war in which Canada should have supported Great Britain to the limit of its power, while Quebec is quite sure that it would have been nothing of the kind.

The idea that the rather extensive public-ownership commitments of Ontario are a sign of affection for socialism is entirely mistaken. They were not so even at the time when they were undertaken, and they are less so to-day, when the further experiment in railway ownership on a national scale has proved financially so disastrous. It is now realised that the dream of vast public-ownership enterprises, divorced from politics and run on pure business principles, is an illusion—at any rate in North America with its peculiar political atmosphere. There is a very widespread discontent even in Ontario with the two old

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parties, but it is very uncertain how to express itself; those who feel it have not forgotten the disillusionment which followed their last effort, the United Farmers of Ontario Government immediately after the war. Mr. Hepburn, though nominally a Liberal, has cashed in on some of this disaffection by being almost as hostile to the Dominion Liberals as to the Conservatives. The Ontario farmer is far more of an individualist than the prairie wheat-grower. As for the Ontario unemployed, they seem to find the socialist philosophy of the C.C.F. leaders somewhat rarefied for their needs, and they are chiefly engaged in pressing for better terms in the matter of immediate relief. What they will do when it becomes economically impossible to give them adequate relief any longer, it is hard to say, but they will probably turn to a less intellectual, more impassioned and more dangerous type of leadership.

Canada,
October 1938.

AUSTRALIA

I. DEFENCE

FOR 1937-38 the Commonwealth Parliament authorised an expenditure on defence of £11.5 millions, an increase of £4.3 millions over the average of the previous three years.* Before the next statement of the Government's plans was made, the course of the fighting in China, particularly the progress made by the Japanese in the vicinity of Hong Kong, and the prediction of war with Great Britain attributed to Admiral Suetsugu, a member of the Japanese Ministry, had caused steadily growing concern in Australia. The events in Europe in February and early March, followed by the British Government's acceleration of its programme of rearmament, added to the anxiety felt in Australia about the position of the Empire.

A previous issue of THE ROUND TABLE † made brief mention of Mr. Lyons' announcement on March 24 of a total expenditure of £43 millions for a new three-year programme of defence extending over the years 1938-39 to 1940-41. This expenditure is about £2 2s. a head a year, very much more, it is true, than we have ever spent before on peace-time preparations for defence, but very much less than the £7 a head which Great Britain is spending. We can scarcely say we are doing enough in comparison (to quote Mr. Hawker, M.H.R.) with "our kinsmen in other parts of the Empire who are taxed almost tragically to ensure their defence, and to some extent for our defence".

Practically unanimous approval in leading articles greeted

* See THE ROUND TABLE, No. 109, December 1937, p. 132.
† No. 111, June 1938, p. 608.

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Mr. Lyons' announcement of the expenditure of £43 millions in the next three years. If there has been opposition to the increase of expenditure, it has scarcely made itself heard; nor has there been much evidence of support. The only question that has been canvassed at all generally is the resumption of compulsory military training. To this further reference is made below.

Fuller details of the programme were given in a paper laid before Parliament on April 27.* Of the £43 millions to be spent in the three years, £18.2 millions is for "maintenance of the existing defence services", £24.8 millions for "new expenditure". Between the services the expenditure (spread over three years) is to be thus allotted:—

	Maintenance.	New Expenditure.	Total.
	£ millions.		
	£.	£.	£.
Navy	7.25	7.75	15.0
Army	6.0	5.5	11.5
Air force (not including civil aviation)	3.7	8.8	12.5
Munitions	1.25	1.75	3.0
Organisation of civil industry for an emergency	—	1.0	1.0

The annual expenditure for maintenance during the three years will average £6 millions; on the completion of the new programme, it will rise to £10 millions.

For the navy two additional cruisers of the *Sydney* type (7,000 tons with eight 6-inch guns) are being bought from the Royal navy, and sloops and smaller vessels for the seaward defence of harbours are to be built in Australia; existing *Washington* cruisers, the *Australia* and the *Canberra* (10,000 tons with eight 8-inch guns) are to have improved anti-aircraft armament and additional armour protection. Seaward defences are to be provided at the principal ports, and fixed coast defences established or improved.

* See Commonwealth Parliamentary Debates, April 27, 1938, pp. 558-61.

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The permanent forces are being increased to man the new coast and anti-aircraft defences, for which latter the Government ordinance factory is making guns. Additions to the factory will enable heavier field guns to be made. The army is being strengthened in various minor ways, but the militia forces remain at 35,000, and neither compulsory registration nor compulsory training is to be re-established.

The programme provides for the doubling of the first-line strength of the air force from 96 to 198 machines, with reserves in proportion. How soon the increase can be made seems to be in doubt. Some types of machines for the air force are made at the Commonwealth Aircraft Corporation's factory at Port Melbourne; but the larger machines are to be imported.* Air-Marshal Sir Edward Ellington, who has recently reported on Commonwealth air defence, emphasises that the uses to which the type of machine manufactured in Australia could be put are limited; as yet the output of the factory is confined to advanced trainers.

At Darwin an oil storage for naval use and defences to protect it make the beginnings of a naval sub-base. Detachments of the air force are to be stationed there and also a permanent force of "mobile troops". Although it has sometimes been spoken of as a potential naval base, forming part of a Singapore-North Borneo-Darwin triangle—Hong-Kong is now usually omitted from the British defence line—it must be understood that Darwin has as yet little of the equipment necessary for a base, and that the town and the country near it are entirely without industrial resources.

The manufacture in the Government's own factories of new types of munitions and explosives will be undertaken and there will be an increased output of all types of ammunition; also plant for the manufacture of munitions

* The Commonwealth Government, it is understood, has since ordered 50 Lockheed machines from the United States.—*Editor*.

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in private factories will be provided from the vote of £1 million for "organising civil industry to meet any emergency". An advisory panel of manufacturers, to act in consultation with the Council of Defence, has been appointed.

The Government's policy is one of "balanced development" in contrast to the previous system in which the navy predominated. Is this the right policy? Now that we are spending nearly £15 millions a year on defence, would it be possible by concentrating more on one service to reach a strength in that service that would in itself, with help from a British Far-Eastern fleet of about the present strength, be sufficient to deter an enemy? There are some who think that we could build a navy strong enough to do this. If they are right, clearly most of our expenditure should go to the navy. Others think that the strengthening of the air force is the most promising course to assure our safety. The Labour party's advocacy of increase in the air force as the principal object of expenditure was described in *THE ROUND TABLE*;* and its leader, Mr. Curtin, still holds, it is understood, the views he expressed last year.

Opinion in Australia would seem, on the whole, to accept the view that balanced development of all the services is the right policy. Until recently there has been little critical discussion of the doctrines that underlie policy. There are not many people willing to discuss defence problems who have the necessary knowledge, and the Defence Department does its best to restrain critical discussion by those who have any connection with the permanent or military forces.

What are the lessons to be drawn for the defence of Australia from recent air fighting in Spain and China? Are we to conclude that naval attacks on a coast cannot be warded off by defence in the air? Is it true that centres of government and industry, situated as ours are on the coast, cannot be defended by fighting and pursuit planes, for the

* No. 109, December 1937, pp. 128-30.

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reason that information of an approaching attack by bombers cannot be received in time? At Barcelona, we may remember, bombs were dropped from a height of 15,000 feet before the warning sirens could be sounded. On the other hand, are we to conclude that cities cannot be bombed to an extent that will terrorise the population and destroy vital centres? Is this so where there are no anti-aircraft defences, as in most Australian cities to-day? Should we concentrate on anti-aircraft defence as the most effective protection for our coastal cities? If so, and if we are relying on our own manufacturing efforts conducted at anything comparable with our present rate, we have many years to wait for security.

In one matter only has there been any general manifestation of opinion against the Government's policy—the decision not to resume compulsory military training. The Defence Act renders all able-bodied males liable to serve in the armed forces in time of war. From 1911 to 1929 there was compulsory training of cadets of school age and men up to 25. In 1921 the training strength, consisting of adults and cadets from 14 upwards, reached about 120,000. When compulsory training was abandoned in 1929 the strength (ages 17 to 21) was about 50,000. The peace strength of the military forces was then fixed at 35,000—a figure governed by financial considerations but having no relation to any military plans for the defence of Australia. There has since been difficulty in maintaining, by voluntary enlistment, even the reduced strength of 35,000. Last year after some effort this number was just reached.

If the military forces are to take any effective part in the defence of Australia, there can be no doubt that their numbers and training and equipment are alike inadequate. This was the view that led the Tasmanian organisation of the Labour party to pass a resolution at its annual conference in April, that compulsory training should be resumed in order to ensure a much larger and more efficient

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force. It has had widespread support throughout Australia, though it was soon repudiated by the Labour party in other States.

The Government has been advised by the army authorities that "the most pressing need is to strengthen the material side". It may indeed be that preparations for air and land defence cannot take us far unless we first lay a good foundation of munitions; and in our present backward state that will require an immense effort. In its plans for making the Government factories capable of manufacturing munitions for other parts of the Empire—to a minor extent this has been done for some time past—and for equipping private manufacturers to supplement the Government factories, the Government has met strong opposition from the Labour party. Its members have read the books in which the machinations of makers of armaments are held to have helped to precipitate the last great war, and they know of the vast profits made from the manufacture of armaments in peace as well as in war. They are determined not to countenance such a danger in Australia, but it may be a greater danger to continue to rely on what Government factories alone could make.

The trade unions, too, have refused their co-operation in the "advisory defence panel" which the Government has formed. Mr. Lyons invited them to appoint a trade-union panel to assist the Government in examining labour conditions in defence factories and private factories engaged in the production of munitions, and to aid it in drawing up a plan for making the best use of the nation's man power if the resources of Australian industry had to be diverted to defence. The Australasian Council of Trades Unions refused to appoint representatives until further explanations were made by the Government. Mr. Lyons assured them that the Government's plans did not contemplate the "industrial conscription" they feared. But the Council's decision was confirmed by conferences of trade unions in the principal States. The reasons are in part the fear of

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industrial conscription and in part a determined opposition to what the unions think to be the objects of the Government's policy. The conference at the Adelaide Trades Hall gave as its reason that co-operation in the Government's defence organisation was impossible until the Government was prepared to stand by the principle of collective security through the League of Nations. Other meetings have called on the Government to take sides against Fascism.

Into the opposition of the unions there enters also anxiety lest preparations for defence in co-operation with the rest of the Empire might bring a real danger of our being involved in serious operations outside Australia. The Labour party, it is clear, would oppose the sending of men overseas.

On the other hand, the threat of war in September has caused an awakening in the matter of defence.* The Government now seems to be seriously facing the problem of providing security for Australia. But there is no need to conceal the fact that at the time of the crisis Australia's forces were far from being adequately prepared to meet it. That emergency has shown Australia many useful lessons. The public now hopes and is inclined to insist that they be properly learnt. A great increase in defence expenditure seems certain. But what members of the general public are now coming to ask of the Government and of the Defence Department, from the Minister downwards, is leadership which is confident and assured, and on which Australians can rely.

II. IMMIGRATION INTO AUSTRALIA

AUSTRALIA is again taking her place among the immigrant-receiving countries. From an outward flow during the depression years the tide has turned again; the inward balance rose to about 6,000 last year and appears

* See above p. 44.

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likely to be about 8,000 this year. Compared with the post-war average this is not a high figure, and there are several already well-known considerations which raise serious doubts as to whether in the next few years Australia will be a country of immigration on the post-war scale.

Whatever may be the future volume of immigration, informed opinion in Australia has now come to accept the proposition that the number of British migrants will be negligible, and the statement by Mr. Menzies to the effect that we must look elsewhere for future additions to our population, together with cables and leading articles on the recent report of the Overseas Settlement Board, will convey this conclusion to a wider public. The declining tendency of the younger age-groups in the British population is of course much more generally understood as a governing factor than is the tendency to home investment of British capital. Great interest is taken in the Commonwealth Statistician's periodical release of migration figures, and attention is always drawn by the press to the stubborn continuance of the ebb of people of British stock in contrast to the steadily increasing inward balance of southern Europeans. The loss of people of British stock has occurred in every year since 1930. For the year ending June 30, there was a net loss of 652 migrants of British stock and a gain of 7,284 alien migrants. Alien immigration rose from 3,328 in the previous year, thus nearly doubling. It is probable that the resumption of the system of assisted passages for British migrants which was announced by the Prime Minister, Mr. Lyons, in April 1938, will reverse the balance of British migration to Australia, but it is not expected that very much more than this will be achieved.

The revival and steady increase of migration since the depression indicate a return of absorptive capacity in Australia, and the realisation that Britain will not be in a position to fill the demand for new population has brought about some discussion on the possibility of an alien influx into the Commonwealth. The inward balance of migration

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in 1937 was double that of 1936. If anything like the same rate of increase of absorption were to continue, such an influx of non-Britishers would occur. There have consequently been cries of alarm from some Australian newspapers and societies; but the substance of these alarming pronouncements has been disposed of in a common-sense statement by the Assistant Minister for the Interior, Mr. Thompson:—

The great point to remember is that the existing percentage of population in Australia of British origin, namely 98 per cent., is not, and cannot be, reduced by the present rate of white alien migration, even if there is no appreciable increase in migration from Great Britain. This fact is adduced from the rate of natural increase, which is always far in excess of arrivals from abroad. If the rate of new arrivals from all sources reaches 10,000 a year, and every one of them fails to find employment in Australia, the present percentage of unemployment in Australia would only be increased by 0.15 per cent.*

Australian attitudes to white alien immigration vary considerably according to special interest and traditional views. The Returned Soldiers' League, for example, demands that every foreign adult migrant shall apply for naturalisation within three years of arrival in Australia; that any immigrant without a sound knowledge of English should be considered undesirable and rejected; that a quota system be adopted designed to maintain the British proportion of the Australian population at 98 per cent.; that immigrants be registered so that their movements might be checked; and further that it be made illegal to establish organisations which have as their objective the maintenance of political associations between foreign nationals and their native countries. The President of the Diggers' Association of Queensland views with alarm the rapid increase of Italians in North Queensland, and believes that colour restrictions should be relaxed in order to enable Indian and other British subjects to settle in tropical Australia. So far no influential support for this proposal,

* *Sydney Morning Herald*, August 9, 1938.

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which amounts to a modification of the White Australia policy, has emerged.

On the question of the admission of refugees, public opinion apparently favours the introduction of types suitable to Australian conditions. Where the Australian economy is growing is in manufacturing industry, and many of the refugees from Austria possess either capital or technical training which should enable them—far from depressing Australian living standards—to make a positive contribution. In the August issue of the *Monthly Summary* of the National Bank of Australasia the writer of an article on "Manufacturing in Australia" points out that

Expansion of manufacturing has not been evenly spread over all industries, some have grown rapidly, while others, chiefly those of the less utilitarian and more artistic classes, have lagged behind. . . . In some industries such as the working of precious metals and the manufacture of jewellery and plate, there has been very little expansion. The highly developed artistry of some European countries, the difficulty of obtaining craftsmen, and the greater necessity of durable utilitarian goods, have all militated against the artistic trades.

Successful beginnings have nevertheless been made, and it may be that in these types of manufacturing, opportunities may be found for refugees. In fact, plans are at present being formulated by private groups interested in refugees for the establishment of some industries entirely new to Australia, while it has in some individual cases been demonstrated that refugees with technical qualifications can not only obtain employment, but also render indispensable service to their employers. According to the *Sydney Morning Herald*, the migration branch of the Department of the Interior will probably grant landing permits for the admission of about 5,000 refugees to Australia in the current year. The number of applicants for landing permits during the past few months has been abnormal. A large proportion of the applications are accompanied by the necessary guarantees from persons in Australia.

The Labour attitude to immigration of all kinds remains

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critical. Trades Hall leaders regard "wholesale migration to Australia from southern and central Europe as a menace to Australian standards of working and living" because of the slender financial resources of the immigrants and their inability to realise that non-observance of award rates and conditions tends to break down Australian workers' standards. Trades Hall officials say that complaints are frequently made that aliens, in many instances in collusion with employers, disregard awards. The Leader of the Federal Opposition, Mr. Curtin, has recently drawn the attention of the Federal Government to facts of this kind. It must not be imagined, however, that Labour opposes all immigration. It is realised, for example, that the introduction of skilled technicians for key positions in industry, if it enables production which otherwise could not be undertaken, will increase opportunities of employment generally. Trade union leaders, however, suggest that searching inquiries within Australia might in many cases result in the appointment of Australian technicians possessing adequate skill, and render unnecessary the introduction of technicians from abroad.

The Commonwealth Government has shown itself in recent years consistently favourable to an increase in Australian population by means of immigration. The latest suggestion is that the development of Australian industries and the investment of British and American capital might lead to a migration of Americans. On his return to Australia early in September the Minister for Commerce stated that the farmers of the north-west portion of the United States are facing the problem of a lack of room, and that some of them are now looking towards Australia as a "further west".

Immigration to Australia is again a going concern, and the main lines for the future are clear. On the side of sources there will be few British, probably few Dutch and Scandinavians, numbers of central Europeans, including refugees for some years, but the bulk will be Italians,

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Greeks, Yugoslavs, and Poles. On the side of absorption, there will be less agricultural settlement than in post-war years; whatever the immediate destination of the individual settlers, the increase of population in Australia must be absorbed in urban occupations.

III. THE BRITISH COMMONWEALTH RELATIONS CONFERENCE

THE value of a conference is measured by the amount of change which it produces in the minds of the participants. Conferences would not be necessary if opinions and points of view did not differ. If no adjustment takes place, the conference must be said to have failed. The test is severe, for famous men are as little prone to change their minds as little men with limited points of view.

Judged by this criterion, the Sydney Conference was for this writer a striking success. In most phases of Commonwealth relations he found reason to make some quite substantial adjustments in his point of view and in his ideas of possible policy. The short space allotted to this note can be best used in summarising the points from which he derived profit.

While it cannot be said that a common Empire policy in relation to the outside world is possible, it was fairly clear that the main objection to a closer co-operation in policy came from constitutional inhibitions. If the demand for closer organic union is abandoned, the amount of real co-operation will be increased, though in varying degrees with different members. This want of co-operation is in no way due to unfriendliness or friction, but to genuine differences of interest, of racial composition and social philosophy. Indeed, in quarters where one expected suspicion and criticism, one found genuine warmth for the Commonwealth.

The conviction that if the British Commonwealth were dissolved as a group an irreplaceable bulwark of world

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order would be gone was almost universal in the Conference. It was essential that the ties should be loose and freedom of movement permitted, but the associations must not fail altogether. One wondered, however, what action each member was prepared to make to preserve this unity in a jungle world. The kind of co-operation possible was indicated by suggestions for a regional defence policy based on the main self-governing Dominions. That was new to most of us, but supported by competent authority. It was quite clear, however, that mere concentration on the preservation of the group did not attract some of the delegates. To many the content and colour of the policy pursued by Britain as leader of the group were all-important. British policy would be approved by these only if certain social or ideological principles were recognised. It did not follow, however, that such a recognition would ensure co-operation and sacrifice. Some of these delegates represented small minorities in their communities not sufficient to determine policy, but sufficient to reinforce the inertia against action. The difficulties of Commonwealth policy can thus be realised.

It may be doubted whether the concept "Commonwealth *contra mundum*" was ever really abandoned. The Commonwealth was conceived as fighting for a noble cause—a democratic world order—but the underlying feeling was that democracy was on the defensive. In view of the failure of the League, no basis for a world order could be conceived other than the Commonwealth. But can we expect other nations to agree to this? It was inevitable in the circumstances as they exist that short-term considerations should dominate our minds, but the present crisis is so urgent that if we are to avert catastrophe we must in a short time make adjustments that would normally take generations.

Australia,
October 1938.

SOUTH AFRICA

I. THE POLITICAL SCENE

IN the last issue of THE ROUND TABLE* an account was given of the overwhelming victory of the United party at the general election, but it was pointed out that it would be wrong to regard its position as entirely secure. Reference was made to the personal factors arising out of the composition of the Cabinet and also to the disruptive force of sentimental issues as evidenced by the National Anthem controversy. Against this background the Parliamentary session, which commenced on July 22 and ended on September 24, must be viewed.

The session was, of course, the first of the new Parliament. It revealed a weakening of the two minor opposition parties, Dominion and Labour, from the point of view of effective parliamentary action. On the other hand, it showed that the main opposition party, the Nationalists, had increased not only in numbers, but in debating power and in a sense of responsibility. The session was by no means a happy one for the Government, despite its great numerical strength. The fact that little legislative work of importance was done is of no real significance. The session came after a strenuous general election campaign, no one desired that it should be protracted, and it was generally anticipated that the main work would be financial. Apart from finance, to which later reference will be made, two matters dominated the parliamentary scene.

As soon as the session commenced, the leader of the Opposition, Dr. Malan, introduced a motion to the effect that no solution of the National Anthem question would

* See THE ROUND TABLE, No. 112, September 1938, pp. 842-853.

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be satisfactory, save on the basis of a single purely South African and officially recognised anthem. The Prime Minister, General Hertzog, moved an amendment asking the House to endorse and accept the Government's statement of June 2.* Mr. Marwick, the leader of the Dominion party, moved a further amendment re-affirming the recognition of "God Save the King" as the official National Anthem of the Union.

In his speech in support of his amendment, General Hertzog was emphatic in his insistence on the necessity of taking into account the wishes and feelings, and securing the agreement of the English-speaking people of South Africa. This attitude enabled him to avert the split in his party that once threatened. One member alone, Mr. Leslie Blackwell, abstained from voting, on the ground that while he was satisfied with the operative part of the Government's declaration of procedure, he could not accept it as a statement of fact that there is at present no official National Anthem in the Union. The Prime Minister's amendment was therefore carried by an overwhelming majority. But the feelings aroused in the country by the Union Day incidents have not been entirely assuaged. They took place within a fortnight of the great election triumph of the United party to which English-speaking South Africans had made a notable contribution. They were received as a slap in the face, and the sting has not yet been removed. While the fifty-fifty basis of future procedure laid down by the Government is accepted as logically sound, the undercurrent of outraged sentiment has not yet ceased to run.

The second issue to which the attention of Parliament was mainly directed was of a personal nature. It arose from the defeat at the general election of Mr. A. P. J.

* This declaration stated that while there was at present no official National Anthem, the Government had decided that in the meantime "God Save the King" and "Die Stem van Suid-Afrika" would both be played on all formal occasions under Government auspices. See THE ROUND TABLE, No. 112, September 1938, p. 852.

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Fourie, Minister of Commerce and Industries, and his failure to find another seat within the three months' term allowed by the constitution. As the Prime Minister was determined to bring him back to the Cabinet, and as in the meantime an additional Minister had been appointed in the person of Mr. H. G. Lawrence, who relieved Mr. Hofmeyr of one of his portfolios (that of Labour), it became necessary to introduce a Bill to amend the South Africa Act so as to increase the number of Ministers with portfolios from 11 to 12. This Bill was bitterly fought and led to many personal recriminations. Its enactment moreover prepared the ground for Mr. Fourie's return to the Cabinet after he had been nominated as a Senator to represent non-European interests, and this in turn led to the resignation of two Ministers, Mr. Hofmeyr and Mr. Sturrock, which will be dealt with more fully below. The total result was a considerable weakening of the Government's position.

Already this has been reflected in the country. A week after the Cabinet resignations certain Provincial Council by-elections took place in the Transvaal. Three were on the Witwatersrand, one in Pretoria, all in areas that had declared themselves for the United party in May. All four seats were lost to the party in September, and it was clear that the result was determined primarily by a fairly large-scale defection of English-speaking supporters of the Government. More recently, since the end of the session, there has been a Parliamentary by-election in a Transvaal rural constituency, Marico, and once again the Government has lost a seat won in May. It has been pointed out that the turnover of votes at Marico would be sufficient to cause the loss to the United party of 14 of the 48 seats which it won last May. The Provincial by-elections on the Witwatersrand suggest that there has been an even bigger turnover of votes in the towns. Within a bare five months' period the Government's position has been so weakened that a general election to-day might well be disastrous for it.

No doubt the United party will recover some of the

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lost ground, but in the meantime it is clear that there is grave dissatisfaction among its supporters. The English-speaking centres generally are still sore because of the Union Day incidents: the Witwatersrand in addition is disgruntled because of the resignation of its two members in the Cabinet; there is a general feeling of uneasiness at the manner of Mr. Fourie's return to Parliament; and despite the Government's efforts to conciliate Afrikaans-speaking voters in the rural areas, it has lost ground there also. General Hertzog's leadership is being seriously questioned, and there has been a heavy slump in General Smuts's stock as far as his old South African party supporters are concerned, on the ground that he has been too complaisant to General Hertzog. The prophecy ventured three months ago * that the next few years will produce significant changes in the present balance of political forces, and that these changes may well commence sooner than most people anticipate, appears to have been not ill-founded.

II. THE CABINET RESIGNATIONS

ONE of the major political events of the past session was the resignation of two Ministers, Mr. J. H. Hofmeyr, Minister of Mines, Education and Social Welfare, and Mr. F. C. Sturrock, Minister without portfolio. Briefly, the cause of this event was the determination of the Prime Minister to secure the re-inclusion in the Cabinet of Mr. A. P. J. Fourie, who prior to the general election had been Minister of Commerce and Industries. In the election Mr. Fourie lost his seat, and could therefore not retain office beyond the three months' limit, which expired on July 11, unless another seat could be found for him in either the House of Assembly or the Senate. Several United party members were prepared to resign their seats in the Assembly in order to make way for Mr. Fourie. The latter, however, though a capable Minister, is not a

* See THE ROUND TABLE, No. 112, September 1938, p. 847.

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popular candidate, and the local party committees opposed the idea of his risking another election fight. It was then expected that the Prime Minister would accept Mr. Fourie's absence from the Cabinet until a vacancy occurred among the elected Senators that would offer a safer means of return to Parliament. The astonishment of the country was therefore considerable when it was announced early in September that Mr. Fourie was to be returned to the Senate, not as one of the indirectly elected provincial representatives, but as one of the four Government nominated Senators who are appointed, in the words of the South Africa Act, "on the ground mainly of their thorough acquaintance with the reasonable wants and wishes of the Coloured races in South Africa". Senator Thompson, one of these four nominated Senators, had resigned his seat, which the Prime Minister had decided to bestow on Mr. Fourie without full consultation with the Cabinet—in particular, with Mr. Hofmeyr and Mr. Sturrock. Upon news of this decision, Mr. Hofmeyr resigned, and Mr. Sturrock, who was absent at the time, did the same shortly afterwards. Both Ministers explained their action to the House of Assembly in somewhat similar terms. Mr. Hofmeyr's speech, in particular, made a deep impression. He made it clear that he had no objection whatever to Mr. Fourie as a colleague in the Cabinet—would in fact welcome his return. Absence of proper consultation too, though unpalatable, could be swallowed. His action was a protest against a flagrant violation of the spirit of the Constitution, and his appeal was for the maintenance of principle as against expediency in politics. Mr. Hofmeyr is known and respected by the liberal-minded in South Africa as a friend of the non-European peoples; and it shocked many, besides himself, to find that, for the sake of including immediately in the Cabinet a Minister who, though capable, is not indispensable, the Prime Minister was prepared to discard the normal method of securing his return to Parliament and to impose upon the country, in the guise of

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a spokesman for the non-European peoples, one whose qualifications in this capacity were, to put it mildly, open to doubt.

The whole episode was, and is, a disturbing one for the Government and its supporters. The Cabinet can ill afford to lose the services of the two Ministers who have resigned, and at the time of writing their places have not been filled. It is, in fact, not easy to find successors who will maintain in the Government that rather nice balance of elements that compose the United party. It is embarrassing also for the party to have public attention drawn to the rift that has long been latent between the more liberal section and the other elements. The Government, however, remains fairly secure for the present and Mr. Hofmeyr and Mr. Sturrock both remain within the ranks of the United party—a fortunate circumstance, for their defection, especially that of Mr. Hofmeyr, would draw away a considerable amount of support from the Government, particularly among the English-speaking section of the electorate. What has happened, however, may prove to be valuable not only as a stand for constitutional propriety, but also as a warning to the United party of the dangers that lie ahead.

III. THE BUDGET

MR. HAVENGA was again in the position of being able to close the national book-keeping with a substantial surplus in the Revenue Account for 1937-38. Having budgeted for a surplus of £1,500,000, he actually ended the year with £4,352,000. Customs revenue exceeded the estimate by £300,000, excise by over £100,000, postal revenue by £400,000 and inland revenue by £1,560,000. Expenditure was also some £790,000 less than the revised estimate, the main decreases being in assistance to farmers and in the vote of the Mines' Department, while defence was the chief item in which expenditure exceeded the estimate. Total revenue amounted to

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some £43,611,000 as against an estimate of £41,228,000 and total expenditure of £39,259,000 as against an estimate of £40,048,000. £400,000 of this surplus, representing expenditure already made for aid in getting rid of last year's maize crop but not yet voted, is to be carried forward into the current accounts, and the remainder is to be transferred to the Loan Account—a step the desirability of which is made sufficiently manifest by the further net increase of the public debt by £8,000,000 during 1937-38, despite the revenue surplus from 1936-37 contributed to the Loan Account.

In 1938-39 Mr. Havenga estimates an increase of expenditure to £42,846,000 and a decline of revenue, which in the absence of additional taxation would amount to £41,794,000, leaving a deficit of £1,052,000. The estimates of revenue collections are interesting. A decrease of £917,000 in the yield from customs and £59,000 from excise is expected. The Post Office is expected to show an increase of £128,000 from telephones and a net increase of £86,000. Revenue from gold mining is expected to drop by over £700,000, of which £606,000 represents the diminished yield from income tax on gold-mining companies. On the same basis of taxation as last year a further decline of £300,000 in the yield of normal income tax and super tax, other than that upon the gold mines, would have been expected. A marked decrease in stamp duties and fees is also forecast. To meet the deficit, the Minister is, as stated above, applying £400,000 from his 1937-38 surplus, and is reducing the rebate of 30 per cent. on the standard rate of income tax to 20 per cent., which will produce another £552,000, thus budgeting for a deficit of £100,000.

Mr. Havenga is, then, having to meet an increased expenditure from diminished resources and, after a run of "prosperity" budgets, he is now in the unenviable position of having to look forward to a further shrinkage before he has convinced the country of the dangers of continued prodigality. His budget speech, as a result, seemed to

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have been directed more to a consideration of future contingencies than to an elucidation of the accounts which he presented along with it. While unable to prevent an increase of expenditure this year, Mr. Havenga was busy erecting his defences against increased demands next year. The keynote of his speech was a rehearsal of the trials of a Minister of Finance during a period of buoyant revenue.

The Treasury (he said) which is the clearing-house of the mass of schemes, ingenious, crazy, prodigal and even, occasionally, sound, having the one common denominator of increased expenditure, gets a unique view of the country's financial mentality. What has struck me forcibly in dealing with such schemes is the underlying view that there is no limit to what the state can afford. This view is no doubt a result of the easy-money mentality which has resulted from the depreciation of our currency and from stock-exchange fortunes.

Mr. Havenga pointed this moral by a survey of the expansion that had taken place under the present Government, from the first of his series of "prosperity" budgets of 1933-34. Making adjustments for special non-recurring votes, and for tax revenue which has been diverted from the general to special accounts, he showed that normal expenditure from revenue had increased from £30,029,000 to £45,046,000 in the course of five years, an increase of 50 per cent. This increase must be regarded as a permanent obligation, and the Minister did well to remind Parliament that

in committing the country to large expenditure honourable members should bear in mind that they are also committing their constituents to future heavy taxation at a time when they will least be able to afford it.

He made another important point when he referred to the necessity of financial prudence as a pre-requisite of good government.

Increased State services (he said) are always welcomed by the public. But only in so far as we can afford them do they improve our lot. Finance is the Achilles' heel of democracy, and the growth of public expenditure leads, not as the previous generation thought, to socialism in our time, but as we now know to

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totalitarianism and dictatorship. Only that democracy will survive which succeeds in striking a true balance. Increasing state expenditure means inevitably increasing bureaucracy, increasing interference in private life and decay of liberty.

An important feature of South African public finance is the separation of the Revenue and Loan Accounts. It has always been considered that the progress of a young developing country like the Union would be impeded if the creation of capital assets through regular borrowing did not take place beyond the regular budget. Unfortunately the buoyancy of revenue during the past five years, which has so regularly turned budget surpluses into Loan Account, has not secured any reduction of the national indebtedness, but merely a vast inflation of the Loan Votes. "We have here, as elsewhere," said Mr. Havenga, "a tale of growing totals. In 1933-34 Parliament voted £13,000,000. I have this year to ask for over £23,000,000." Nor, indeed, is that the full tale, as it does not include the £1,000,000 which must be found this year for the £6,000,000 rearmament scheme. Comment has been made in THE ROUND TABLE in previous years on the growing normal commitments of the Union Government and the inflation of the Loan Votes. This year the Minister of Finance used strong words in condemnation of the insatiable appetite of the spending departments.

While the large increase in our normal expenditure (he said) has inevitably involved us also in large commitments on loan account, the estimates of the various departments this year reached dangerous proportions. These estimates, in the form in which they reached the Treasury, amounted to nearly £29,000,000, and it is only by a process of drastic cutting that we have been able to reduce the programme to financially manageable proportions.

While the key-note of economy in the budget speech is hardly echoed in the actual estimates for 1938-39, which show increases in expenditure both on Revenue and on Loan Account, its sober and dispassionate criticism of recent financial tendencies provides a welcome indication

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hat the Treasury is alive to the "dangerous proportions" to use the Finance Minister's own emphatic terms) to which a depression might find our expenditure had swollen.

IV. NATIVE REPRESENTATION IN PARLIAMENT

THE enactment in 1936 of the Representation of Natives Act * was a step, potentially at least, of very great significance. It deprived the natives of the Cape Province of the right of voting along with other citizens, and effectively barred the extension of that right to the natives of other Provinces. By way of compensation it empowered the natives of the Cape to elect three (European) members of the House of Assembly; it provided for the representation of the natives of all four Provinces by four (European) elected Senators; and it created a Natives Representative Council. It is beginning to be possible to take stock of the effect of these changes.

In an earlier issue † some account was given of the first session of the Natives Representative Council. It was pointed out that an excellent start had been made, but that everything would depend on the way in which the Council's advice was regarded by Government and Parliament. It is unfortunate therefore that during the last parliamentary session the Government should have had to announce that it had decided to reject the unanimous recommendation of the Council that native education should be dealt with by the Department of Education. The Government contends that in education, as in other matters, the native should be dealt with on a different basis than the European. It proposes therefore to administer native education through the Department of Native Affairs.

It is, however, perhaps more important at this stage to refer to the working out of the new provisions for the representation of native interests in Parliament itself. The new "native" Senators and members of the House of

* See THE ROUND TABLE, No. 103, June 1936, pp. 535-538.

† See THE ROUND TABLE, No. 110, March 1938, pp. 406-409.

NATIVE REPRESENTATION IN PARLIAMENT

Assembly have now participated in two sessions. Neither was a normal session, the one being a pre-election, and the other a post-election session, but it is possible to form some idea of the success of the experiment. In the first place it is clear that the natives chose their representatives very wisely. In calibre the "native" Senators and members of the House of Assembly are definitely above the average of those elected by the European voters. In the Senate in particular the standard of debate has been raised, and it is just possible that as a result it may become a more effective body than it has been of late. In the Assembly too the three native representatives, especially a woman member, Mrs. V. M. L. Ballinger, have secured for themselves an assured place and are listened to with attention.

But, on the other hand, it is doubtful whether the natives have on balance really gained. In the Senate very little can be achieved anyhow, and even if it does become a more effective body in consequence of the change, it will still be hampered by its constitutional limitations. In the Assembly the "native" members are listened to, but they can point to little by way of concrete achievement. This may be due in part to the fact that they have tended to antagonise the Government inasmuch as they have acted, largely owing to inexperience, virtually as an opposition party and voted accordingly. But apart from this, there is a tendency for the House generally to discount what they say on the ground that they are "native" members and therefore merely partisans for a particular point of view. And while it is true that that point of view is now being presented better than was the case before, it is unfortunately also true that, while in the past there were ten or twelve members dependent on native votes and therefore constrained to champion to some extent at least the native cause, now all but the "native" members are entirely dependent on European votes, and the pleading of the cause of the natives tends to be left entirely to the small band of their own representatives. The present indications

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are, therefore, not such as to make one unduly optimistic as to the success of South Africa's experimental communal representation.

South Africa,
October 1938.

NEW ZEALAND

I. THE BUDGET AND PUBLIC WORKS

LABOUR'S pre-election budget was presented on July 20, and may be thus summarised : *

	Revenue.	1937-38. Results. £	1938-39. Estimates. £
Taxation		31,664,000	31,715,000
Interest		2,141,000	1,955,000
Other receipts		2,254,000	2,175,000
Total		36,059,000	35,845,000
<i>Expenditure.</i>			
<i>Permanent appropriations.</i>			
Debt services		9,441,000	9,544,000
Exchange		1,828,000	1,800,000
Highways		2,835,000	3,200,000
Other services		1,517,000	521,000
Total		15,621,000	15,065,000
<i>Annual Appropriations.</i>			
Social services		11,872,000	12,774,000
Other services		7,756,000	7,748,000
Total		19,628,000	20,522,000
Supplementary estimates and contingencies		—	200,000
Total expenditure		35,249,000	35,787,000
Surplus		810,000	58,000
Employment levy and tax		5,105,000	5,377,000

As is customary, the budget speech, besides setting out the public accounts, expounded the Government's policy on certain outstanding issues, and some of these statements

* For previous years, see THE ROUND TABLE, No. 105, December 1936, p. 222, and No. 110, March 1938, p. 417.

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were of particular importance; for example, that on public works policy. During the depression public works expenditure was cut away by the Coalition Government on the grounds of economy, and also as part of a policy aiming at reducing local costs. In recent years, however, there has been a swing of opinion in favour of using public works to "iron out fluctuations in prosperity"—that is, by cutting down public works in good times, and expanding them in times of depression. This theory is the reverse of that followed during the depression, but has been urged by the Opposition against the Labour Government; and it was substantially endorsed by the last report of the Directors of the Reserve Bank.

In the budget speech, however, this theory was energetically repudiated.

The present Government does not subscribe to the view that public works should be regarded as a palliative to be undertaken only when private enterprise fails to provide the necessary facilities or to offer the required employment. The present Government's policy is to promote or expand public works on their individual merits as projects of public development.

Mr. Nash's budget accordingly provided for public works expenditure of £20,719,700, of which £14,263,000 will be loan money—not necessarily public loans. The previous year's budget provided for £17,367,000, of which £14,400,000 was actually expended, including £8,400,000 of loan money. The following budget figures give an indication of the direction of public works expenditure:

	£	£
Railway construction	1,440,000	
Railway improvement	3,746,000	
Highways and roads		5,186,000
Public buildings		6,537,200
Land settlement, development and improvement		2,360,000
Hydro-electric development		3,081,500
Telegraph and telephone extensions		1,556,000
Other works (aerodromes, plant and material, upkeep of buildings, etc.)		750,000
		1,249,000
Total		£20,719,700

These figures, however, must be used with some caution. For example, part only of this money is spent by the Public Works Department (last year £11,868,931; this year's estimates £12,757,200), the rest being under the control of other departments. Again, a considerable amount of the total is spent on maintenance, not on "capital works".

The Government's public works policy has been severely criticised. The main line of criticism is against spending such vast sums—particularly of borrowed money—in good times. Such spending, it is said, will convert healthy prosperity into a disastrous boom. Again, the Opposition claims that many of the proposed works are not revenue-producing. On these grounds the Opposition denounces the tendency of public works ("the most prosperous industry we have") to compete with other industries. In its view, the country's wealth is based on its primary and secondary industries. If the Public Works Department attracts workers from these industries, the whole economic structure is weakened. Further, the Opposition refuses to regard the 21,188 employees of the Department as being employed in the ordinary sense of the term. "Unemployment", said the Leader of the Opposition, "is not cured unless men are absorbed back into normal industry."

Clearly a time will come when some of the present types of public works will have to be "tapered off"; and the workers engaged in them will have to be transferred to other types of industry—whether under state or private control. "In anticipation of the completion of the major public works now in progress and those still to be commenced," said Mr. Nash in his budget speech, "development of secondary industries will be essential."

As to what progress, if any, has been made in the direction of developing "economic" secondary industries, there is considerable difference of opinion. The Government claims that progress towards "a properly balanced economy" has been considerable, that adequate protection

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has been given to industry where necessary (sometimes in the form of "rationalisation" *plus* price control), and that it has been pushing on with the necessarily slow work of studying the economics of proposed new industries. These proceedings have been criticised from two main angles: by importers and some consumers who say that far too much encouragement is given to industries that are uneconomic; and by a section at least of the manufacturers who claim that high costs (imposed by Government) lay them open to ruinous competition from imports. "Failing further government help for local industry," said the Manufacturers' Association recently, "New Zealand will become a country of public works and imports." Truth in these controversies is hard to find: but at the moment of writing a fall in total imports is anticipated. On the other hand, such statistics as are available suggest a high general level of prosperity, however serious may be the problems of some sections of industry.

II. LABOUR'S ELECTION PROGRAMME

"THE objective of the Government", says its policy statement,

is to utilise to the maximum the wonderful resources of the Dominion—

First, by maintaining and improving the living standards that have been experienced in the Dominion in the past three years as compared with the deprivation of the previous three years.

Second, to organise an internal economy that will distribute the production and services in a way that will guarantee to every person able and willing to work an income sufficient to provide him and his dependants with everything necessary to make a "home" and "home life" in the best sense of the meaning of those terms.

Third, to continue the progressive legislation and administration which have been successfully carried on by the Government since it took office on December 6, 1935.

Labour's programme is in fact summed up under the third head: the party is asking for authority to continue

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and extend the policies on which it has acted during the past three years. These policies, claim Labour spokesmen, are largely responsible for the Dominion's general prosperity in 1938 as contrasted with its lack of prosperity in 1935. Ministers do not claim to have raised the general level of prices received for our exports. But they do claim credit for having distributed the prosperity resulting from improved prices promptly and widely among the people; and they claim to have built upon the foundation thus provided by promoting "a more economic utilisation of our resources, and a more equitable distribution of the national income". Further, they say that a continuance of sound economic policy will protect New Zealand for long periods—some enthusiasts say indefinitely—from slumps originating overseas.

This theory of "insulation" has long been popular with the Labour party, and has been discussed before in THE ROUND TABLE. The manner in which insulation is to be achieved has never been precisely defined by Labour spokesmen, but certain broad lines have been suggested—for example, a correct credit policy, perhaps with depreciation or control of overseas exchange and regulation of imports; guaranteed prices for exporting industries; public works expenditure; the development of secondary industries; and in general maintenance of the purchasing power of the people. In the Labour view much has been done along these lines, and its election programme promises more—though repudiating immediate drastic action. Thus, Labour "proposes to maintain and extend the control of credit and currency until the state is the sole authority for the issue of credit and currency". The guaranteed price procedure will be extended "to provide an income for farmers measured by New Zealand standards in accord with the services rendered by the farmer". Housing construction and public works will be pushed ahead along lines at present followed, but with increased attention to needs of country-dwellers. Secondary industry will be

developed on sound and efficient lines, but always bearing in mind "our trade relationship with England". And finally there is the social security scheme.

This scheme, in the phrase of an official pamphlet, aims at "providing security against financial worries of all citizens who suffer disabilities through circumstances beyond their control". The main benefits have already been set out in THE ROUND TABLE.* They include, for example, old age benefit of 30s. per week at 60; invalid pensions, 30s.; pensions to widows and deserted wives, 25s. A last-minute addition was "universal superannuation": that is, payment, without means tests, to all those over 65. A start will be made with this in 1940 with payment at the rate of £10 per year, which will rise by increments of £2 10s. per year till all those over 65 receive £78 per year. The Government admits that the benefits are not as great as it would like—"we are doing the best we can for the moment". Meanwhile cash benefits are to be supplemented by free general-practitioner service, free medicines, and free hospital treatment.

Discussion of the scheme has concentrated on two main aspects: the free medical service, of which the medical profession has been strongly critical, and the cost.† When introducing the Bill, the Minister of Finance (Mr. Nash) estimated that the *additional* cost for the first year would be only £1,361,000. This sum, he believed, would be covered without increase in taxation, owing, it is suggested, to more efficient collection. As to later years, he said, "if we look after 1940, I think 1941 will look after itself". His argument was that in the past, production and national income had increased steadily, and the expectation that they would continue to increase in the future—particularly under Labour rule—justified the Government in facing a growing commitment.

* No. 112, September 1938, p. 861.

† See THE ROUND TABLE, No. 112, September 1938, pp. 858-62.

The success of the scheme depended on two things—first, on the increased production of the right commodities, and second, on the more just distribution of those commodities when produced.

These things would be achieved, he said, by the various policies which were already being applied.

This argument is, of course, rejected by the Opposition. It says that the Minister greatly under-estimated the costs and that it is fantastic to assume that production will increase in the future as it has in the past. Apart from this general argument that we simply cannot afford the scheme, certain particular provisions have roused much criticism—notably the tax on companies. By a last-minute amendment, the 1s. in the £ contribution will be charged, like income tax, on the profits of companies. The ground put forward for making the charge in this way is that it will prevent evasion. Critics retort that it will increase company taxation—already heavy—to breaking-point, and will in practice substantially increase the amount payable.

"Social security" dominated last session to the exclusion of other policy measures that had long been in view, notably that dealing with education. During the past three years there has been a general improvement in equipment in the Education Department, and a number of policy changes have been made, all suggesting a greater freedom in approach to problems—including the problem of examination. However, Mr. Fraser (Minister of Education) preferred to move slowly in dealing with the general reorganisation forecast in Labour's 1935 programme, and in the upshot his Education Bill was dropped at the end of the session. The party's present election manifesto promises continuation of the Government's successful policy of providing for all children the fullest educational opportunities from the kindergarten to the university.

The more specific promises emphasise the development of health services in schools and "physical education", improvement in equipment, and the raising of the school-leaving age to 15.

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III. THE NATIONAL PARTY'S PROGRAMME

THE Leader of the Opposition (Mr. Hamilton) issued his party's manifesto on September 19. It had a two-fold aim: to demonstrate first that the "socialism" aimed at by the Labour party was a thing repugnant to New Zealand, and secondly, that the National party offered a positive alternative which would in effect give the country the material benefits promised by Labour while preserving spiritual liberty. Mr. Hamilton emphasised his faith in private enterprise as an economic principle, and accordingly promised reduction in taxation, and the withdrawal of the state from any attempt to regulate industry except to prevent abuses.* However, a striking feature of the manifesto was the insistence that the National party, if returned to power, would not destructively reverse Labour's policy. On the contrary, said Mr. Hamilton, there were merits in some of the Labour Government's measures, and these would be preserved: provided, of course, that "the underlying basis of socialism will be immediately removed".

Even in matters where the National party has most energetically criticised Labour policy it was at pains to deny that drastic change would follow its return to power. For example, it would retain government ownership of the Reserve Bank, which would remain subject to Parliament; and it is noteworthy that the party has not put before the country a programme of economy and "sound finance". Public works, in principle, should be confined in prosperous times "to works of a developmental and reproductive character", but works already begun (and, according to some, those promised but not commenced) would be completed. As to housing, Mr. Hamilton expressed his faith in private enterprise, encouraged and supported by the Government, and promised to encourage building societies, to make advances to home builders up to 90 per cent., and to give state tenants the right to purchase

* See THE ROUND TABLE, No. 108, September 1937, p. 874.

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their homes. But generous advances are already being given, and Mr. Hamilton denies that the men at present employed on state houses would lose their jobs. He was "not going to smash the work already being done", he said. On the contrary,

realising the responsibility of the state to see that adequate housing is available for the people, we aim at a building programme of at least 5,000 houses each year.

On the vital problem of primary industries, Mr. Hamilton's manifesto read as follows:

As the farmer labours under an economic disadvantage in that he has to accept world market prices for his produce, but has to meet internal costs, we will give effect to such measures as will ensure that farmers are able to pay competitive rates of wages, are assured of reasonable interest on capital value in farms and stock, are enabled to meet increased costs imposed by legislation—including tariffs—and are ensured a remuneration commensurate with the service they render, comparable with that obtained by other members of the community who render equal service. This will be accomplished by a lowering of costs, or by a compensating payment for farm produce, or a combination of both.*

Mr. Hamilton went on to say, however, that "we will return to the farmer the ownership of his own produce"—that is, abandon the present system by which dairy produce is taken over and marketed by the state. Marketing by the state may be undertaken as a trustee for the producer, and the state will pay a guaranteed minimum price. The amount of this price and the means of financing it have not been explained, but according to at least one National candidate, it "would be used as a subsidy to the farmer to protect him and bring him into the line of prosperity with the rest of the nation". On the other great issue of "social security", the National party says it would not carry out the Labour party's scheme, but would continue the present pensions payments, supplementing them by

* These aims are strikingly similar to those of the guaranteed price. Cf. THE ROUND TABLE, No. 104, September 1936, p. 867.

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"a universal superannuation scheme" and "a complete health service to those who cannot pay".

As for secondary industries, Mr. Hamilton's words might have been spoken by Mr. Nash:

In this field we see the most likely and fruitful field for increasing national production, enlarging the national income available to the people, absorbing our surplus man-power, and reducing the great uneconomic loss of idle productive power

Mr. Hamilton's means of promoting development began with the assurance to capital of a reasonable return. Costs moreover, would be stabilised, and consumption of good stimulated by co-operation with manufacturers. As to working conditions, compulsory arbitration would be retained, and

the question of workers' wages, hours, and conditions of employment will be left to the Court of Arbitration for decision on the evidence submitted, including the effect of awards on industry and on employment.

No other indication was given of the rules by which the Court's decision will be guided, and Labour spokesmen claim that the way is left open for wages to be cut in the next depression (as they were in the last through the Arbitration Court. Mr. Hamilton officially pledged his party not to "cut" wages, salaries and social services, but promised to abolish compulsory unionism.

The National party's policy, says a friendly editorial has been framed in the full realisation that New Zealand has progressed since 1931-32 in thought and ideals as well as material things, that the National party to-day cannot just begin where the National party left off in 1935, because the people expect more of it—and of any party—than they expected the

The policy, then, aims at "progress at the rate and in the manner likely to be approved by the good sense of the community". The result is that if the two manifestos together with responsible policy statements, are read alongside each other, there is surprisingly little difference in the

* *Auckland Star*, September 20, 1938.

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concrete promises made. Some argue, therefore, that the differences between the parties are not so great as is made to appear: to them answer is made by both protagonists that the essential difference lies in objectives, in leadership, and in the general spirit of administration.

IV. THE PARTY STRUGGLE

THE National party's main line of attack on the Government is that it would introduce "complete socialism". The denials of Labour leaders are brusquely swept aside: the wolf will naturally clothe itself as a "reformist" sheep until the election is safely won. Then, say National speakers, liberty of the individual will be ruthlessly crushed, for socialism means dictatorship. Two main arguments are advanced in support of this interpretation: the socialist objective in the Labour party's constitution, and the policies actually enforced during the past three years. These are said to show that socialism has crept on apace, and that the foundations for dictatorship have been laid. According to one junior National candidate, we have already a dictatorship, as real though not so apparent, as that of Hitler, Mussolini and Stalin. To these two arguments Labour spokesmen retort, first that there is a legitimate distinction between a man's ultimate ideals and the objectives he hopes to realise within a limited time, and, secondly, that Labour's record in power shows it to be not so much socialist as charitable and sensible. They claim that these qualities rather than socialist theory would continue to guide Labour policy. Further, they urge, Labour practice has in fact been in conformity with New Zealand tradition and with current development in other democratic states. As for the Nationalists, Labour speakers claim that they are not genuinely "progressive", but remain at heart *laissez-faire* and deflationary as they were in 1932. A Nationalist Government, it is urged, would again see in a slump originating overseas a misfortune to be endured, but not to

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be warded off. A vote for Mr. Hamilton was therefore, claim Labour spokesmen, potentially a vote for slump conditions.

Meanwhile, public interest is keen, and has been stimulated by the practice of broadcasting parliamentary proceedings and policy speeches. Both parties promise prosperity, but roundly insist that the election of the other will be followed by ruin—if not at once, then when overseas prices fall. Round such promises and threats the battle rages keenly, to an extent which some find unedifying. For there are a few who look with a certain scepticism on this “auction of popularity”, and who suspect that neither party possesses wisdom undefiled.

New Zealand,
October 17, 1938.

Note.—The present article was written and dispatched from New Zealand shortly before election day. The result of the General Election was as follows :—

	<i>Seats.</i>	<i>Aggregate votes cast.</i>
Labour	54	494,425
National party	24	356,031
Independents	2	24,999
		— <i>Editor.</i>

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A DOCUMENTARY ANTHOLOGY OF THE CRISIS

1. *The Carlsbad Programme.*

THE Sudeten German Party Congress was held at Carlsbad (Eger) on April 23, and Herr Henlein put forward an eight-point programme, which may be summarised as follows :

(1) Full equality of status for Czechs and Germans. (2) A guarantee for this by recognition of the Sudeten Germans as a legal body incorporate. (3) Determination and legal recognition of the German areas within the State. (4) Full self-government for the German areas. (5) Legal protection for every citizen living outside the area of his own nationality. (6) Removal of injustices inflicted since 1918 and reparation for them. (7) Recognition of the principle : within the German area German officials. (8) Full liberty to profess German nationality and political philosophy.

He also said : “ We solemnly and openly declare that our policy is inspired by the principles and ideas of National-Socialism. If Czech statesmen want to reach a permanent understanding with us Germans and with the German Reich they will have to fulfil our demand for a complete revision of Czech foreign policy, which up to to-day has led the State into the ranks of the enemies of the German people.”

2. *The Prime Minister's Statement in Parliament, May 23.*

On May 19 rumours began to gain currency of German troop movements in the direction of the Czechoslovak frontier. The German Government informed his Majesty's Ambassador on the following day that there was no foundation for these rumours, and they gave a similar assurance to the Czechoslovak Government.

On May 20 a number of serious incidents occurred in Czechoslovakia. On the morning of May 21 the Czechoslovak Government intimated that they were calling up one class for training and for the purpose of maintaining order in the frontier areas. On the same day an unfortunate incident took place in which two Sudeten Germans lost their lives in an incident near the frontier, the full facts of which are not yet entirely clear. The Czechoslovak Minister for Foreign Affairs informed the German Minister of this incident and told him that disciplinary measures would be taken against those responsible.

On the same day (May 21) his Majesty's Ambassador in Berlin

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received further assurances from the German Government that stories of German troop movements were completely unfounded.

The Czechoslovak Foreign Minister informed his Majesty's Minister in Prague on May 21 that a formal invitation had been sent to Herr Henlein to negotiate on the Nationality Statute which had been approved on the 19th by the Czechoslovak Government. But on that same day (May 21) it was announced in the Sudeten press that the political committee of the Sudeten German party had decided to inform the Prime Minister that the party were not in a position to discuss the nationality statute so long as peace and order in the Sudeten districts, and above all the constitutional rights of freedom of opinion of the press and of assembly, were not guaranteed.

I now learn, however, that it has been arranged for Herr Henlein to see the Czechoslovakian Prime Minister either to-night or to-morrow.

In face of this situation the principal concern of his Majesty's Government has been to use all their influence wherever it could be effective on the side of restraint, in word and deed, while keeping open the way to peaceful negotiation of a satisfactory settlement.

With that object they have represented to the Czechoslovak Government the need of taking every precaution for avoidance of accidents and of making every possible effort to reach a comprehensive and lasting settlement by negotiation with the representatives of the Sudeten party. In this his Majesty's Government have enjoyed the full co-operation of the French Government.

The Czechoslovak Government have responded to this representation with an assurance that they appreciate the interest which his Majesty's Government have manifested in this question and are fully resolved to seek an early and a complete solution.

His Majesty's Government have represented to the German Government the urgent importance of reaching a settlement if European peace is to be preserved and have expressed their earnest desire that the German Government would co-operate with them in facilitating agreement.

His Majesty's Government have at the same time informed the German Government of the advice tendered in Prague and of the assurances received from the Czechoslovak Government.

The German Minister for Foreign Affairs stated that he welcomed the efforts being made by his Majesty's Government and that the German Government fully shared their desire to see negotiations succeed.

At the moment the situation appears to have somewhat eased, but I understand that the elections passed off quietly yesterday without a bloodshed incident.

Speech of Herr Jaksch at a mass meeting of the German Social Democratic Party at Pilsen, July 17.

I warn those totalitarian people who in their blindness believe that Czechoslovakia can be wiped off the map as quickly as Austria that my followers of Henlein would pay with their lives for this error.

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We are convinced that this country can even better withstand an onslaught than did little Serbia, and that in three months the Nazi régime would arrive at the same point where Kaiser Wilhelm's régime ended in 1918.

4. *Memorandum of the Sudeten German party, submitted to the Czechoslovakian Government on June 7, and published on July 19.*

The memorandum contained the following principal demands:—

1. Recognition of equality among the various nations and national groups to be guaranteed by the Constitution.

2. Guarantee of the following democratic principle: (a) every national group to have the right to manage its own affairs; (b) and to have an equal share in the conduct of State business; (c) protection against anti-nationalists; (d) unrestricted rights to such groups to foster common national interests.

3. A National Regional Statute involving territorial reorganisation of the State in Czech, German, Slovak, and other areas.

4. Application of these reforms to legislation and administration. The Czech and German populations to have the right to determine their own national and territorial requirements consistently with the interests of the State.

National self-administration to apply in particular to the police, education, pre-military training, local finance, etc.

5. Division of legislative powers between the National Assembly and the Diets of each nationality. In the Assembly each national group to have its own section to represent it as a body corporate. The representatives in the national sections of Parliament to form the Diet of each nationality.

The National Assembly or the President of the Republic to have the right to veto decisions by the Diet, but not for a second time.

6. The executive power to be exercised by the President and the Government. In addition to the Cabinet Ministers, heads of the respective Administrations to be members of the Government, independently of the confidence of Parliament.

The heads of the local Cabinets to be members of the Supreme Council for National Defence.

7. Reorganisation of the Administration, involving suppression of the Ministries of Education, Social Welfare, Health, and Unification of Laws, whose responsibilities would be transferred to the local Governments.

National sections to be established in all other Ministries, except those of Foreign Affairs, Finance, and Defence.

8. Appointment to public services in national areas to be reserved for members of the nationality.

9. The Courts of second instance and the Supreme Court to have national sections.

10. All languages used to have equal official status, with special regulations for Prague.

11. All public and State-controlled enterprises to have national sections.

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12. In the Budget provision to be made for each nationality in accordance with an agreement between the national sections in Parliament.

13. The reorganisation to be carried out by Constitutional measures as far as possible.

14. Reparation to be made to the Germans in land reform, university laws, minority schools, and laws *re* the Legionaries.

5. *Sir John Simon's speech at Lanark, August 27.*

All the Government's efforts have been directed to the strengthening of the foundations of peace and the adoption of argument and reason in settling international differences. . . . True solutions cannot be found by the use of violent measures, which may easily have repercussions involving other parties. While there are interests and duties to protect and discharge which we would fight, we shall bring the whole weight of our influence to bear to prevent the outbreak of war anywhere, and shall always be ready to make our contribution to the maintenance of peace. The British position with regard to Czechoslovakia was fully declared in Mr. Chamberlain's speech on March 24. That declaration holds good to-day. There is nothing to add or to vary in its content. As a Government we have recognised in Czechoslovakia a real and urgent problem, and we are convinced that given good will on all sides, it should be possible to find a solution which is just to all legitimate interests. . . . In the modern world there is no limit to the reactions of war. The very case of Czechoslovakia may be so critical for the future of Europe that it would be impossible to assume a limit to the disturbance that a conflict might involve.

6. *The Hitler-Henlein Interview, Sept. 2.*

The following official *communiqué* was issued in Berlin:—The Führer received to-day at the Berghof the Leader of the Sudeten Germans, Konrad Henlein, who at Lord Runciman's desire gave him a sketch of the present state of the negotiations with the Prague Government. The Führer took note with interest of the explanations. Full identity of views was established in the judgment of the situation. Konrad Henlein, who lunched with the Führer, left the Berghof in the afternoon.

7. *Extract from Leading Article in "The Times", Sept. 8.*

It might be worth while for the Czechoslovak Government to consider whether they should exclude altogether the project, which has found favour in some quarters, of making Czechoslovakia a more homogeneous State by the secession of that fringe of alien populations who are contiguous to the nation with which they are united by race.

8. *Herr Hitler's speech at Nuremberg, Sept 12 (excerpts).*

The State which preceded us was blackmailed for nearly 15 years, and received for it what is, in my view, a somewhat insufficient reward—praise for being a well-behaved democratic State. This attitude

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comes unbearable for us when a part of our people, apparently defenceless, is delivered over to shameless ill-treatment. I speak of Czechoslovakia.

That State is a democracy. It was founded according to democratic principles. That is to say, the overwhelming majority of the habitants were forced—out of hand, without their opinion being asked—to accept this settlement of Versailles and to exist in it. As a democracy, a beginning was made by oppressing and maltreating the majority of the inhabitants and depriving them of their vital rights. An attempt was made to blandish the world into believing that this State had a special political and military function to fulfil. The former French Air Minister, Pierre Cot, explained it to us a little while ago. According to him, Czechoslovakia is there in order that it may attack German towns and industries with bombs in case of war. Presumably these would be the well-known explosives with a vilifying influence. . . .

. . . The conditions in this State are, as everybody knows, intolerable politically. Seven and a half millions of human beings were robbed, in the name of a gentleman called Wilson, of their right of self-determination and were deliberately deprived of their livelihood. Facts prove that these are of no avail to conceal the real position. The German, and the misery of the Sudeten Germans has no name. The tempt is being made to destroy them; they are oppressed and humiliated in the most intolerable manner. Three and a half million members of a nation of nearly 80 millions are not allowed to sing songs which displease the Czechs, or are beaten until they bleed because the Czechs dislike the sight of white stockings. They are tormented and maltreated because they use a form of greeting which displeases the Czechs, even though they use it among themselves. They are hunted like wild beasts every time they give any sign of their national tradition of life. All this may be a matter of indifference to the representatives of the democracies. Indeed, they may even be it because only three and a half million Germans are concerned.

I can only tell the representatives of these democracies that it is not a matter of indifference to us, and that if these tormented creatures cannot by their own exertions attain their rights and help themselves, they will demand both their rights and assistance from us. . . . The German Reich slumbered for a long period; the German people have now awakened, and have themselves assumed the crown of a Millennium. This is for us a matter of pride and of humble gratitude to the Almighty. Let it be for the rest of the world a lesson, and an incentive to study history with greater discernment, lest it fall again into the errors of the past.

The world need not love the new Italian Roman Empire nor the German Reich; but no Power in the world can lay them low.

Mussolini's unsigned article in the "Popolo d'Italia", Sept. 15 (contents pronounced on the previous day).

You, Lord Runciman, must simply propose to Benes a plebiscite, not only for the Sudeten Germans, but also for all the nationalities

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which will ask for it. If Benes refuses, you will let him know that England will see seven times seven before going to war simply to preserve a State which is a monstrous fiction.

There are zones where the alien population is compact and where the plebiscite will simply mean annexation. There are other zones where the races are terribly mixed up, and in such zones the system of cantons might be applied. . . . Millions of men think that this war is to be avoided. Frontiers traced with ink may be modified. It is another thing when the frontiers were traced by the hand of God and the blood of man.

10. *The Conversation at Berchtesgaden, Sept. 15.*

The following announcement was issued from 10, Downing Street:—The Prime Minister has sent to the German Führer and Chancellor, through his Majesty's Ambassador in Berlin, the following message:—

"In view of increasingly critical situation, I propose to come over at once to see you with a view to trying to find peaceful solution. I propose to come across by air and am ready to start to-morrow. Please indicate earliest time at which you can see me and suggest place of meeting. Should be grateful for very early reply. NEVILLE CHAMBERLAIN."

The Führer and Chancellor has replied to the above message to the effect that he will be very ready to meet the British Prime Minister on September 15 (to-morrow). The Prime Minister is accordingly leaving for Germany by air to-morrow morning. September 14, 1938.

The following *communiqué* was issued from Berchtesgaden on the evening of September 15:—The Führer and Reich Chancellor had a comprehensive exchange of views with Mr. Chamberlain, the British Prime Minister, on the Obersalzberg to-day. The British Prime Minister is returning to England to-morrow to confer with the British Cabinet. In a few days a new conference will take place.

11. *Extracts from the broadcast speech of Dr. Milan Hodža, Prime Minister of Czechoslovakia, Sept. 18.*

In the name of the lawful authorities of this State, I declare that, notwithstanding the refusal of Herr Henlein to come to an agreement with the Government over the nationalities problem, and notwithstanding the attempts at insurrection, the Government are prepared to continue their policy of understanding with the various nationalities, and especially with the Sudeten Germans, but will defend the complete integrity of the State, while pursuing the negotiations on the basis of their most recent proposals.

The Government do not need for this purpose either Henlein or the other fugitive leaders. Events show that masses of the Sudeten people, who are still here in immense majorities, seek a peaceful solution of the nationalities problem. The Government will not pursue a policy of reprisals, much less of persecution. They must, however, insist on respect for and maintenance of law and order. On this

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question there can be no concessions, because only in peace and order can a complete and reasonable understanding be reached.

12. *Extract from Lord Runciman's Report to the Prime Minister.*

When I arrived in Prague at the beginning of August, the questions which immediately confronted me were (1) constitutional, (2) political and (3) economic. The constitutional question was that with which I was immediately and directly concerned. At that time it implied the provision of some degree of home rule for the Sudeten Germans within the Czechoslovak Republic; the question of self-determination had not yet arisen in an acute form. My task was to make myself acquainted with the history of the question, with the principal persons concerned, and with the suggestions for a solution proposed by the two sides, viz., by the Sudeten German party in the "Sketch" submitted to the Czechoslovak Government on June 7 (which was by way of embodying the eight points of Herr Henlein's speech at Carlsbad), and by the Czechoslovak Government in their draft Nationality Statute, Language Bill, and Administrative Reform Bill.

It became clear that neither of these sets of proposals was sufficiently acceptable to the other side to permit further negotiations on this basis, and the negotiations were suspended on August 17. After a series of private discussions between the Sudeten leaders and the Czech authorities, a new basis for negotiations was adopted by the Czechoslovak Government and was communicated to me on September 5, and to the Sudeten leaders on September 6. This was the so-called Fourth Plan. In my opinion—and, I believe, in the opinion of the more responsible Sudeten leaders—this plan embodied almost all the requirements of the Carlsbad eight points, and with a little clarification and extension could have been made to cover them in their entirety. Negotiations should have at once been resumed on this favourable and hopeful basis; but little doubt remains in my mind that the very fact that they were so favourable operated against their chances with the more extreme members of the Sudeten German party. It is my belief that the incident arising out of the visit of certain Sudeten German Deputies to investigate into the case of persons arrested for arms smuggling at Mährisch-Ostrau was used in order to provide an excuse for the suspension, if not for the breaking off, of negotiations. The Czech Government, however, at once gave way to the demands of the Sudeten German party in this matter, and preliminary discussions of the Fourth Plan were resumed on September 10. Again, I am convinced that this did not suit the policy of the Sudeten extremists, and that incidents were provoked and instigated on September 11 and, with greater effect after Herr Hitler's speech, on September 12. As a result of the bloodshed and disturbance thus caused, the Sudeten delegation refused to meet the Czech authorities as had been arranged on September 13. Herr Henlein and Herr Frank presented a new series of demands—withdrawal of State police, limitation of troops to their military duties, etc., which the Czechoslovak Government were again prepared to accept on the sole condition that a representative of the party came to Prague to discuss how order should be maintained.

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On the night of September 13 this condition was refused by Herr Henlein, and all negotiations were completely broken off.

It is quite clear that we cannot now go back to the point where we stood two weeks ago; and we have to consider the situation as it now faces us.

With the rejection of the Czechoslovak Government's offer on September 13 and with the breaking off of the negotiations by Herr Henlein, my functions as a mediator were, in fact, at an end. Directly and indirectly, the connection between the chief Sudeten leaders and the Government of the Reich had become the dominant factor in the situation; the dispute was no longer an internal one. It was not part of my function to attempt mediation between Czechoslovakia and Germany.

Responsibility for the final break must, in my opinion, rest upon Herr Henlein and Herr Frank, and upon those of their supporters inside and outside the country who were urging them to extreme and unconstitutional action.

I have much sympathy, however, with the Sudeten case. It is a hard thing to be ruled by an alien race; and I have been left with the impression that Czechoslovak rule in the Sudeten areas for the last twenty years, though not actively oppressive and certainly not "terroristic", has been marked by tactlessness, lack of understanding, petty intolerance and discrimination, to a point where the resentment of the German population was inevitably moving in the direction of revolt. The Sudeten Germans felt, too, that in the past they had been given many promises by the Czechoslovak Government, but that little or no action had followed these promises. This experience had induced an attitude of unveiled mistrust of the leading Czech statesmen. I cannot say how far this mistrust is merited or unmerited; but it certainly exists, with the result that, however conciliatory their statements, they inspire no confidence in the minds of the Sudeten population. Moreover, in the last elections of 1935 the Sudeten German party polled more votes than any other single party; and they actually formed the second largest party in the State Parliament. They then commanded some 44 votes in a total Parliament of 300. With subsequent accessions, they are now the largest party. But they can always be outvoted; and consequently some of them feel that constitutional action is useless for them.

Local irritations were added to these major grievances. Czech officials and Czech police, speaking little or no German, were appointed in large numbers to purely German districts; Czech agricultural colonists were encouraged to settle on land transferred under the Land Reform in the middle of German populations; for the children of these Czech invaders Czech schools were built on a large scale; there is a very general belief that Czech firms were favoured as against German firms in the allocation of State contracts and that the State provided work and relief for Czechs more readily than for Germans. I believe these complaints to be in the main justified. Even as late as the time of my Mission, I could find no readiness on the part of the Czechoslovak Government to remedy them on anything like an adequate scale.

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All these, and other, grievances were intensified by the reactions of the economic crisis on the Sudeten industries, which form so important a part of the life of the people. Not unnaturally, the Government were blamed for the resulting impoverishment.

For many reasons, therefore, including the above, the feeling among the Sudeten Germans until about three or four years ago was one of hopelessness. But the rise of Nazi Germany gave them new hope. I regard their turning for help towards their kinsmen and their eventual desire to join the Reich as a natural development in the circumstances.

At the time of my arrival, the more moderate Sudeten leaders still desired a settlement within the frontiers of the Czechoslovak State. They realised what war would mean in the Sudeten area, which would itself be the main battlefield. Both nationally and internationally such a settlement would have been an easier solution than territorial transfer. I did my best to promote it, and up to a point with some success, but even so not without misgiving as to whether, when agreement was reached, it could ever be carried out without giving rise to a new crop of suspicions, controversies, accusations and counter-accusations. I felt that any such arrangements would have been temporary, not lasting.

13. *The Anglo-French Proposals presented to the Czechoslovak Government, Sept. 19.*

The representatives of the French and British Governments have been in consultation to-day on the general situation, and have considered the British Prime Minister's report of his conversation with Herr Hitler. British Ministers also placed before their French colleagues their conclusions derived from the account furnished to them of the work of his Mission by Lord Runciman. We are both convinced that, after recent events, the point has now been reached where the further maintenance within the boundaries of the Czechoslovak State of the districts mainly inhabited by Sudeten Deutsch cannot, in fact, continue any longer without imperilling the interests of Czechoslovakia herself and of European peace. In the light of these considerations both Governments have been compelled to the conclusion that the maintenance of peace and the safety of Czechoslovakia's vital interests cannot effectively be assured unless these areas are now transferred to the Reich.

2. This could be done either by direct transfer or as the result of a plebiscite. We realise the difficulties involved in a plebiscite, and we are aware of your objections already expressed to this course, particularly the possibility of far-reaching repercussions if the matter were treated on the basis of so wide a principle. For this reason we anticipate, in the absence of indication to the contrary, that you may prefer to deal with the Sudeten Deutsch problem by the method of direct transfer, and as a case by itself.

3. The area for transfer would probably have to include areas with over 50 per cent. of German inhabitants, but we should hope to arrange by negotiations provisions for adjustment of frontiers, where circumstances render it necessary, by some international body, including a

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Czech representative. We are satisfied that the transfer of smaller areas based on a higher percentage would not meet the case.

4. The international body referred to might also be charged with questions of possible exchange of population on the basis of right to opt within some specified time-limit.

5. We recognise that, if the Czechoslovak Government is prepared to concur in the measures proposed, involving material changes in the conditions of the State, they are entitled to ask for some assurance of their future security.

6. Accordingly, his Majesty's Government in the United Kingdom would be prepared, as a contribution to the pacification of Europe, to join in an international guarantee of the new boundaries of the Czechoslovak State against unprovoked aggression. One of the principal conditions of such a guarantee would be the safeguarding of the independence of Czechoslovakia by the substitution of a general guarantee against unprovoked aggression in place of existing treaties which involve reciprocal obligations of a military character.

7. Both the French and British Governments recognise how great is the sacrifice thus required of the Czechoslovak Government in the cause of peace. But because that cause is common both to Europe in general and in particular to Czechoslovakia herself they have felt it their duty jointly to set forth frankly the conditions essential to secure it.

8. The Prime Minister must resume conversations with Herr Hitler not later than Wednesday, and earlier if possible. We therefore feel we must ask for your reply at the earliest possible moment.

14. *The Chamberlain-Hitler Correspondence at Godesberg, Sept. 23.*

MY DEAR REICHSKANZLER,

I think it may clarify the situation and accelerate our conversation if I send you this note before we meet this morning.

I am ready to put to the Czech Government your proposal as to the areas, so that they may examine the suggested provisional boundary. So far as I can see, there is no need to hold a plebiscite for the bulk of the areas, *i.e.*, for those areas which (according to statistics upon which both sides seem to agree) are predominantly Sudeten German areas. I have no doubt, however, that the Czech Government would be willing to accept your proposal for a plebiscite to determine how far, if at all, the proposed new frontier need be adjusted.

The difficulty I see about the proposal you put to me yesterday afternoon arises from the suggestion that the areas should in the immediate future be occupied by German troops. I recognise the difficulty of conducting a lengthy investigation under existing conditions, and doubtless the plan you propose would, if it were acceptable, provide an immediate easing of the tension. But I do not think you have realised the impossibility of my agreeing to put forward any plan unless I have reason to suppose that it will be considered by public opinion in my country, in France and, indeed, in the world generally, as carrying out the principles already agreed upon in an orderly fashion and free from the threat of force. I am sure that an attempt to occupy

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forthwith by German troops areas which will become part of the Reich at once in principle, and very shortly afterwards by formal delimitation, would be condemned as an unnecessary display of force.

Even if I felt it right to put this proposal to the Czech Government, I am convinced that they would not regard it as being in the spirit of the arrangement which we and the French Government urged them to accept and which they have accepted. In the event of German troops moving into the areas as you propose, there is no doubt that the Czech Government would have no option but to order their forces to resist, and this would mean the destruction of the basis upon which you and I a week ago agreed to work together—namely, an orderly settlement of this question rather than a settlement by the use of force.

It being agreed in principle that the Sudeten German areas are to join the Reich, the immediate question before us is how to maintain law and order pending the final settlement of the arrangements for the transfer. There must surely be alternatives to your proposal which would not be open to the objections I have pointed out. For instance, I could ask the Czech Government whether they think there could be an arrangement under which the maintenance of law and order in certain agreed Sudeten German areas would be entrusted to the Sudeten Germans themselves—by the creation of a suitable force, or by the use of forces already in existence, possibly acting under the supervision of neutral observers.

As you know, I did last night, in accordance with my understanding with you, urge the Czech Government to do all in their power to maintain order in the meantime.

The Czech Government cannot, of course, withdraw their forces, nor can they be expected to withdraw the State Police, so long as they are faced with the prospect of forcible invasion; but I should be ready at once to ascertain their views on the alternative suggestion I have made and, if the plan proved acceptable, I would urge them to withdraw their forces and the State Police from the areas where the Sudeten Germans are in a position to maintain order.

The further steps that need be taken to complete the transfer could be worked out quite rapidly.

(Signed) NEVILLE CHAMBERLAIN.

(Translation.)

YOUR EXCELLENCY,

Godesberg, September 23, 1938.

A thorough examination of your letter, which reached me to-day, as well as the necessity of clearing up the situation definitely, lead me to make the following communication:—

For nearly two decades the Germans, as well as the various other nationalities in Czechoslovakia, have been maltreated in the most unworthy manner, tortured, economically destroyed, and, above all, prevented from realising for themselves also the right of the nations to self-determination. All attempts of the oppressed to change their lot failed in the face of the brutal will to destruction of the Czechs. The latter were in possession of the power of the State, and did not

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hesitate to employ it ruthlessly and barbarically. England and France have never made an endeavour to alter this situation. In my speech before the Reichstag of February 22, I declared that the German Reich would take the initiative in putting an end to any further oppression of these Germans. I have in a further declaration during the Reich Party Congress given clear and unmistakable expression to this decision. I recognise gratefully that at last, after twenty years, the British Government, represented by your Excellency, has now decided for its part also to undertake steps to put an end to a situation which from day to day, and, indeed, from hour to hour, is becoming more unbearable. For if formerly the behaviour of the Czechoslovak Government was brutal, it can only be described during recent weeks and days as madness. The victims of this madness are innumerable Germans. In a few weeks the number of refugees who have been driven out has risen to over 120,000. This situation, as stated above, is unbearable, and will now be terminated by me.

Your Excellency assures me now that the principle of the transfer of the Sudeten territory to the Reich has, in principle, already been accepted. I regret to have to reply to your Excellency that as regards this point, the theoretical recognition of principles has also been formerly granted to us Germans. In the year 1918 the Armistice was concluded on the basis of the fourteen points of President Wilson, which in principle were recognised by all. They were, however, in practice broken in the most shameful way. What interests me, your Excellency, is not the recognition of the principle that this territory is to go to Germany, but solely the realisation of this principle, and the realisation which both puts an end in the shortest time to the sufferings of the unhappy victims of Czech tyranny, and at the same time corresponds to the dignity of a Great Power. I can only emphasise to your Excellency that these Sudeten Germans are not coming back to the German Reich in virtue of the gracious or benevolent sympathy of other nations, but on the ground of their own will based on the right of self-determination of the nations, and of the irrevocable decision of the German Reich to give effect to this will. It is, however, for a nation an unworthy demand to have this recognition made dependent on conditions which are not provided for in treaties nor are practical in view of the shortness of the time.

I have, with the best intentions and in order to give the Czech nation no justifiable cause for complaint, proposed—in the event of a peaceful solution—as the future frontier, that nationalities frontier which I am convinced represents a fair adjustment between the two racial groups, taking also into account the continued existence of large language islands. I am, in addition, ready to allow plebiscites to be taken in the whole territory which will enable subsequent corrections to be made, in order—so far as it is possible—to meet the real will of the peoples concerned. I have undertaken to accept these corrections in advance. I have, moreover, declared myself ready to allow this plebiscite to take place under the control either of international commissions or of a mixed German-Czech commission. I am finally ready, during the days of the plebiscite, to withdraw our troops from the most disputed frontier areas, subject to

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the condition that the Czechs do the same. I am, however, not prepared to allow a territory which must be considered as belonging to Germany, on the ground of the will of the people and of the recognition granted even by the Czechs, to be left without the protection of the Reich. There is here no international power or agreement which would have the right to take precedence over German right.

The idea of being able to entrust to the Sudeten Germans alone the maintenance of order is practically impossible in consequence of the obstacles put in the way of their political organisation in the course of the last decade, and particularly in recent times. As much in the interest of the tortured, because defenceless, population as well as with regard to the duties and prestige of the Reich, it is impossible for us to refrain from giving immediate protection to this territory.

Your Excellency assures me that it is now impossible for you to propose such a plan to your own Government. May I assure you for my part that it is impossible for me to justify any other attitude to the German people. Since for England it is a question at most of political imponderables, whereas for Germany it is a question of primitive right of the security of more than three million human beings and the national honour of a great people.

I fail to understand the observation of your Excellency that it would not be possible for the Czech Government to withdraw their forces so long as they were obliged to reckon with possible invasion, since precisely by means of this solution the grounds for any forcible action are to be removed. Moreover, I cannot conceal from your Excellency that the great mistrust with which I am inspired leads me to believe that the acceptance of the principle of the transfer of Sudeten Germans to the Reich by the Czech Government is only given in the hope thereby to win time so as, by one means or another, to bring about a change in contradiction to this principle. For if the proposal that these territories are to belong to Germany is sincerely accepted, there is no ground to postpone the practical resolution of this principle. My knowledge of Czech practice in such matters over a period of long years compels me to assume the insincerity of Czech assurances so long as they are not implemented by practical proof. The German Reich is, however, determined by one means or another to terminate these attempts, which have lasted for decades, to deny by dilatory methods the legal claims of oppressed peoples.

Moreover, the same attitude applies to the other nationalities in this State. They also are the victims of long oppression and violence. In their case also every assurance given hitherto has been broken. In their case also attempts have been made by dilatory dealing with their complaints or wishes to win time in order to be able to oppress them still more subsequently. These nations also, if they are to achieve their rights, will, sooner or later, have no alternative but to secure them for themselves. In any event, Germany, if—as it now appears to be the case—should find it impossible to have the clear rights of Germans in Czechoslovakia accepted by way of negotiation, is determined to exhaust the other possibilities which then alone remain open to her.

(Signed) ADOLF HITLER.

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My DEAR REICHSKANZLER,

I have received your Excellency's communication in reply to my letter of this morning and have taken note of its contents.

In my capacity as intermediary it is evidently now my duty—since your Excellency maintains entirely the position you took last night—to put your proposals before the Czechoslovak Government.

Accordingly, I request your Excellency to be good enough to let me have a memorandum which sets out these proposals, together with a map showing the area proposed to be transferred, subject to the result of the proposed plebiscite.

On receiving this memorandum, I will at once forward it to Prague, and request the reply of the Czechoslovak Government at the earliest possible moment.

In the meantime, until I can receive their reply, I should be glad to have your Excellency's assurance that you will continue to abide by the understanding, which we reached at our meeting on September 14 and again last night, that no action should be taken, particularly in the Sudeten territory, by the forces of the Reich to prejudice any further mediation which may be found possible.

Since the acceptance or refusal of your Excellency's proposal is now a matter for the Czechoslovak Government to decide, I do not see that I can perform any further service here, whilst, on the other hand, it has become necessary that I should at once report the present situation to my colleagues and to the French Government. I propose, therefore, to return to England.

(Signed) NEVILLE CHAMBERLAIN.

15. *The Godesberg Memorandum, Sept. 23.*

(Translation.)

Reports which are increasing in number from hour to hour regarding incidents in the Sudetenland show that the situation has become completely intolerable for the Sudeten German people and, in consequence, a danger to the peace of Europe. It is therefore essential that the separation of the Sudetenland agreed to by Czechoslovakia should be effected without any further delay. On the attached map the Sudeten German area which is to be ceded is shaded red. The areas in which, over and above the areas which are to be occupied, a plebiscite is also to be held are drawn in and shaded green.*

The final delimitation of the frontier must correspond to the wishes of those concerned. In order to determine these wishes, a certain period is necessary for the preparation of the voting, during which disturbances must in all circumstances be prevented. A situation of parity must be created. The area designated on the attached map as a German area will be occupied by German troops without taking account as to whether in the plebiscite there may prove to be in this or that part of the area a Czech majority. On the other hand, the Czech territory is occupied by Czech troops without regard to the question whether, within this area, there lie large German language islands, the

* See map, p. 224 below.

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majority of which will without doubt avow their German nationality in the plebiscite.

With a view to bringing about an immediate and final solution of the Sudeten German problem the following proposals are now made by the German Government :—

1. Withdrawal of the whole Czech armed forces, the police, the gendarmerie, the customs officials and the frontier guards from the area to be evacuated as designated on the attached map, this area to be handed over to Germany on October 1.

2. The evacuated territory is to be handed over in its present condition (see further details in appendix). The German Government agree that a plenipotentiary representative of the Czech Government or of the Czech Army should be attached to the headquarters of the German military forces to settle the details of the modalities of the evacuation.

3. The Czech Government discharges at once to their homes all Sudeten Germans serving in the military forces or the police anywhere in Czech State territory.

4. The Czech Government liberates all political prisoners of German race.

5. The German Government agrees to permit a plebiscite to take place in those areas, which will be more definitely defined, before at latest November 25. Alterations to the new frontier arising out of the plebiscite will be settled by a German-Czech or an international commission. The plebiscite itself will be carried out under the control of an international commission. All persons who were residing in the areas in question on October 28, 1918, or were born there prior to this date will be eligible to vote. A simple majority of all eligible male and female voters will determine the desire of the population to belong to either the German Reich or to the Czech State. During the plebiscite both parties will withdraw their military forces out of areas which will be defined more precisely. The date and duration will be settled by the German and Czech Governments together.

6. The German Government proposes that an authoritative German-Czech commission should be set up to settle all further details.

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The evacuated Sudeten German area is to be handed over without destroying or rendering unusable in any way military, commercial or traffic establishments (plants). These include the ground organisation of the air service and all wireless stations.

All commercial and traffic materials, especially the rolling-stock of the railway system, in the designated areas, are to be handed over undamaged. The same applies to all utility services (gas-works, power stations, etc.).

Finally, no food-stuffs, goods, cattle, raw materials, etc., are to be removed.

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16. *The Czechoslovak response to the Godesberg demands.*

(a) *The Czechoslovak Minister in London to the Secretary of State for Foreign Affairs, Sept. 25.*

SIR,

My Government has instructed me just now, in view of the fact that the French statesmen are not arriving in London to-day, to bring to his Majesty's Government's notice the following message without any delay :—

The Czechoslovak people have shown a unique discipline and self-restraint in the last few weeks regardless of the unbelievably coarse and vulgar campaign of the controlled German press and radio against Czechoslovakia and its leaders, especially M. Benes.

His Majesty's and the French Governments are very well aware that we agreed under the most severe pressure to the so-called Anglo-French plan for ceding parts of Czechoslovakia. We accepted this plan under extreme duress. We had not even time to make any representations about its many unworkable features. Nevertheless, we accepted it because we understood that it was the end of the demands to be made upon us, and because it followed from the Anglo-French pressure that these two Powers would accept responsibility for our reduced frontiers and would guarantee us their support in the event of our being feloniously attacked.

The vulgar German campaign continued.

While Mr. Chamberlain was at Godesberg the following message was received by my Government from his Majesty's and the French representatives at Prague :—

"We have agreed with the French Government that the Czechoslovak Government be informed that the French and British Governments cannot continue to take the responsibility of advising them not to mobilise".

My new Government, headed by General Syrový, declared that they accept full responsibility for their predecessor's decision to accept the stern terms of the so-called Anglo-French plan.

Yesterday, after the return of Mr. Chamberlain from Godesberg, a new proposition was handed by his Majesty's Minister in Prague to my Government with the additional information that His Majesty's Government is acting solely as an intermediary and is neither advising nor pressing my Government in any way. M. Krofta, in receiving the plan from the hands of his Majesty's Minister in Prague, assured him that the Czechoslovak Government will study it in the same spirit in which they have co-operated with Great Britain and France hitherto.

My Government has now studied the document and the map. It is a *de facto* ultimatum of the sort usually presented to a vanquished nation and not a proposition to a sovereign State which has shown the greatest possible readiness to make sacrifices for the appeasement of Europe. Not the smallest trace of such readiness for sacrifices has as yet been manifested by Herr Hitler's Government. My Government is amazed at the contents of the memorandum. The proposals go far beyond what we agreed to in the so-called Anglo-French plan. They deprive us of every safeguard for our national

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existence. We are to yield up large proportions of our carefully prepared defences, and admit the German armies deep into our country before we have been able to organise it on the new basis or make any preparations for its defence. Our national and economic independence would automatically disappear with the acceptance of Herr Hitler's plan. The whole process of moving the population is to be reduced to panic flight on the part of those who will not accept the German Nazi régime. They have to leave their homes without even the right to take their personal belongings or, even in the case of peasants, their cow.

My Government wish me to declare in all solemnity that Herr Hitler's demands in their present form are absolutely and unconditionally unacceptable to my Government. Against these new and cruel demands my Government feel bound to make their utmost resistance, and we shall do so, God helping. The nation of St. Wenceslas, John Hus and Thomas Masaryk will not be a nation of slaves.

We rely upon the two great Western democracies, whose wishes we have followed much against our own judgment, to stand by us in our hour of trial.

(Signed) JAN MASARYK.

(b) *The same to the same, Sept. 26.*

SIR,

I have communicated to my Government the Prime Minister's question which he put to me yesterday afternoon and for which he wished an answer. This question of the Prime Minister's, as I understood it, I transmitted to Prague as follows :—

"Although Herr Hitler did say that the memorandum handed to the Czechoslovak Government by His Majesty's Government was his last word, and although Mr. Chamberlain doubts very much that he could induce Herr Hitler to change his mind at this late hour, the Prime Minister may, under circumstances, make a last effort to persuade Herr Hitler to consider another method of settling peacefully the Sudeten German question, namely, by means of an international conference attended by Germany, Czechoslovakia and other Powers which would consider the Anglo-French plan and the best method of bringing it into operation. He asked whether the Czechoslovak Government would be prepared to take part in this new effort of saving the peace."

To this question I have now received the following answer of my Government :—

"The Czechoslovak Government would be ready to take part in an international conference where Germany and Czechoslovakia, among other nations, would be represented, to find a different method of settling the Sudeten German question from that expounded in Herr Hitler's proposals, keeping in mind the possible reverting to the so-called Anglo-French plan. In the note which Mr. Masaryk delivered to Mr. Chamberlain yesterday afternoon, mention was made of the fact that the Czechoslovak Government, having accepted the Anglo-French note under the most severe pressure and extreme duress, had no time to make any representations about its many unworkable features. The Czechoslovak Government presumes that, if a conference were to take place, this fact would not be overlooked by those taking part in it."

My Government, after the experiences of the last few weeks, would consider it more than fully justifiable to ask for definite and

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binding guarantees to the effect that no unexpected action of an aggressive nature would take place during the negotiations, and that the Czechoslovak defence system would remain intact during that period.

(Signed) JAN MASARYK.

(c) *Mr. Chamberlain to Herr Hitler, Sept. 26.*

MY DEAR REICHSKANZLER,

In my capacity as intermediary I have transmitted to the Czechoslovakian Government the memorandum which your Excellency gave me on the occasion of our last conversation.

The Czechoslovakian Government now inform me that, while they adhere to their acceptance of the proposals for the transfer of the Sudeten-German areas on the lines discussed by my Government and the French Government and explained by me to you on Thursday last, they regard as wholly unacceptable the proposal in your memorandum for the immediate evacuation of the areas and their immediate occupation by German troops, these processes to take place before the terms of cession have been negotiated or even discussed.

Your Excellency will remember that in my letter to you of Friday last I said that an attempt to occupy forthwith by German troops areas which will become part of the Reich at once in principle, and very shortly afterwards by formal delimitation, would be condemned as an unnecessary display of force, and that, in my opinion, if German troops moved into the areas that you had proposed, I felt sure that the Czechoslovakian Government would resist, and that this would mean the destruction of the basis upon which you and I a week ago agreed to work together—namely, an orderly settlement of this question rather than a settlement by the use of force. I referred also to the effect likely to be produced upon public opinion in my country, in France and, indeed, in the world generally.

The development of opinion since my return confirms me in the views I expressed to you in my letter and in our subsequent conversation.

In communicating with me about your proposals, the Government of Czechoslovakia point out that they go far beyond what was agreed to in the so-called Anglo-French plan. Czechoslovakia would be deprived of every safeguard for her national existence. She would have to yield up large proportions of her carefully prepared defences and admit the German armies deep into her country before it had been organised on the new basis or any preparations had been made for its defence. Her national and economic independence would automatically disappear with the acceptance of the German plan. The whole process of moving the population is to be reduced to panic flight.

I learn that the German Ambassador in Paris has issued a *communiqué* which begins by stating that as a result of our conversations at Godesberg your Excellency and I are in complete agreement as to the imperative necessity to maintain the peace of Europe. In this spirit I address my present communication to you.

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In the first place, I would remind your Excellency that as the Czechoslovakian Government adhere to their acceptance of the proposals for the transfer of the Sudeten-German areas there can be no question of Germany "finding it impossible to have the clear rights of Germans in Czechoslovakia accepted by way of negotiation". I am quoting the words at the end of your Excellency's letter to me of Friday last.

On the contrary, a settlement by negotiation remains possible and, with a clear recollection of the conversations which you and I have had and with an equally clear appreciation of the consequences which must follow the abandonment of negotiation and the substitution of force, I ask your Excellency to agree that representatives of Germany shall meet representatives of the Czechoslovakian Government to discuss immediately the situation by which we are confronted with a view to settling by agreement the way in which the territory is to be handed over. I am convinced that these discussions can be completed in a very short time, and if you and the Czechoslovakian Government desire it, I am willing to arrange for the representation of the British Government at the discussions.

In our conversation, as in the official *communiqué* issued in Germany, you said that the only differences between us lay in the method of carrying out an agreed principle. If this is so, then surely the tragic consequences of a conflict ought not to be incurred over a difference in method.

A conference such as I suggest would give confidence that the cession of territory would be carried into effect, but that it would be done in an orderly manner with suitable safeguards.

Convinced that your passionate wish to see the Sudeten-German question promptly and satisfactorily settled can be fulfilled without incurring the human misery and suffering that would inevitably follow on a conflict I most earnestly urge you to accept my proposal.

(Signed) NEVILLE CHAMBERLAIN.

17. *Extract from Herr Hitler's speech in Berlin, Sept. 26.*

I have made Herr Benes an offer [*i.e.* the terms in the Godesberg memorandum]. It is nothing more than the execution of that which he has already accepted. Now he has war or peace in his hands. He will either accept this offer now and give the Germans their freedom at last, or we shall go and fetch this freedom.

And one thing the world should note. During four and a half years of war, and in the long years of my political life, they have never been able to say I have ever been a coward. I now come before my people as its first soldier and behind me the world must know marches a nation, and a very different nation from the nation of 1918. . . . The German people to-day is not the German people of those days.

Such phrases to-day are like wasp stings to us. We are now immune against them. In this hour the whole German nation will unite itself with me. It will follow my will as its will, just as I regard its future and destiny as the measure of all my actions, and we will strengthen this united will just as we did in the fighting period—in that

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period in which, as an unknown, lonely soldier, I went out to conquer a Reich. I never doubted the final success and victory. . . . In these hours we all will become one sacred united will. . . . We are determined. Herr Benes can now choose.

18. *Authoritative statement issued in London, Sept. 26.*

It was authoritatively stated last night that during the last week Mr. Chamberlain has tried with the German Chancellor to find the way of settling peacefully the Czechoslovak question. It is still possible to do so by negotiations.

The German claim to the transfer of the Sudeten areas has already been conceded by the French, British, and Czechoslovak Governments, but if in spite of all efforts made by the British Prime Minister a German attack is made upon Czechoslovakia the immediate result must be that France will be bound to come to her assistance, and Great Britain and Russia will certainly stand by France.

It is still not too late to stop this great tragedy, and for the peoples of all nations to insist on settlement by free negotiation.

19. *President Roosevelt's message, Sept. 26.*

The fabric of peace on the Continent of Europe, if not throughout the rest of the world, is in immediate danger. The consequences of its rupture are incalculable.

Should hostilities break out, the lives of millions of men, women, and children in every country involved will most certainly be lost under circumstances of unspeakable horror. The economic system of every country involved is certain to be shattered, the social structure of every country involved may well be completely wrecked.

The United States has no political entanglements, it is caught in no mesh of hatred. The elements of all Europe have formed its civilisation. The supreme desire of the American people is to live in peace, but in the event of general war they face the fact that no nation can escape some measure of the consequences of such a world catastrophe.

The traditional policy of the United States has been the furtherance of the settlement of international disputes by pacific means. It is my conviction that all people under the threat of war to-day pray that peace may be made before rather than after war.

It is imperative for peoples everywhere to recall that every civilised nation in the world voluntarily assumed solemn obligations in the Kellogg-Briand Pact of 1928 to solve controversies only by pacific methods. In addition, most nations are parties to other binding treaties placing them under an obligation to preserve peace.

Furthermore, all countries have to-day available for such a peaceful solution of difficulties which may arise treaties of arbitration and conciliation to which they are parties. Whatever may be the differences in the controversies at issue, and however difficult of pacific settlement they may be, I am persuaded that there is no problem so difficult or so pressing for a solution that it cannot justly be solved by a resort to reason rather than by a resort to force.

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During the present crisis, the people of the United States and their Government earnestly hoped that negotiations for an adjustment of the controversy which has now arisen in Europe might reach a successful conclusion. So long as these negotiations continue, so long will there remain hope that reason and the spirit of equity may prevail, and that the world may thereby escape the madness of a new resort to war.

On behalf of the one hundred and thirty million people of the United States of America, and for the sake of humanity everywhere, I most earnestly appeal to you not to break off negotiations, looking to a peaceful, fair, and constructive settlement of the questions at issue. I earnestly repeat that so long as negotiations continue, differences may be reconciled. Once they are broken off, reason is banished and force produces no solution for the future good of humanity.

20. *President Roosevelt's Second Appeal, Sept. 28.*

I desire to acknowledge your Excellency's reply to my telegram of September 26. I was confident that you would coincide in the opinion I expressed regarding the unforeseeable consequences and incalculable disaster which would result to the entire world from the outbreak of a European war.

The question before the world to-day, Mr. Chancellor, is not a question of errors of judgment or of injustices committed in the past. It is a question of the fate of the world, to-day and to-morrow. The world asks of us who at this moment are the heads of nations the supreme capacity to achieve the destinies of the nations without forcing upon them as the price the mutilation and death of millions of citizens.

The resort to force in the Great War failed to bring tranquillity. Victory and defeat alike were sterile. That lesson the world should have learned. For that reason, above all others, I addressed, on September 25, my appeal to your Excellency and to the President of Czechoslovakia and to the Prime Ministers of France and Great Britain.

The two points I sought to emphasise were, first, that all matters of difference between the German Government and the Czech Government should be settled by pacific means; and, second, that the threatened alternative of a use of force on a scale likely to result in a general war is as unnecessary as it is unjustifiable. It is therefore supremely important that negotiations should continue without interruption until a fair and constructive solution has been reached. My conviction on these two points is deepened because responsible statesmen have officially stated that agreement in principle had already been reached between the Government of the German Reich and the Government of Czechoslovakia, although the precise time and method and detail of the carrying out of that agreement remain at issue. Whatever the existing differences may be, and whatever their merits may be—and upon them I do not need to undertake to pass judgment—my appeal was solely that negotiations should be continued until a peaceful settlement was found, and that thereby a resort to force be avoided. The present negotiations still stand open. They can be

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continued if you give the word. Should the need for supplementing them become evident, nothing stands in the way of widening their scope into a conference of all the nations directly interested in the present controversy—such a meeting to be held immediately—in some neutral spot. The conference would offer an opportunity for this and correlated questions to be solved in a spirit of justice and fair dealing, and, in all human probability, with greater permanence.

In my considered judgment, and in the light of experience of this century, continued negotiations remain the only way whereby the immediate problem can be disposed of upon any lasting basis. Should you agree to a solution in this peaceful manner, I am convinced that hundreds of millions throughout the world would recognise your action as an outstanding historic service to all humanity. Allow me to state my unqualified conviction that history and the souls of every man, woman, and child whose lives will be lost in the threatened war will hold us, and all of us, accountable should we omit any appeal for its prevention.

The Government of the United States has no political involvements in Europe and will assume no obligations in the conduct of the present negotiations. Yet in our own right we recognise our responsibilities as part of a world of neighbours. Conscience and the impelling desire of the people of my country demand that the voice of their Government be raised again and yet again to avert and avoid war.

21. *Mr. Chamberlain's Broadcast to the Nation and the Empire, Sept. 27.*

. . . After my first visit to Berchtesgaden I did get the assent of the Czech Government to proposals which gave the substance of what Herr Hitler wanted, and I was taken completely by surprise when I got back to Germany and found that he insisted that the territory should be handed over to him immediately, and immediately occupied by German troops without previous arrangements for safeguarding the people within the territory who were not Germans, or did not want to join the German Reich.

I must say that I find this attitude unreasonable. If it arises out of any doubts that Herr Hitler feels about the intentions of the Czech Government to carry out their promises and hand over the territory, I have offered on the part of the British Government to guarantee their words, and I am sure the value of our promise will not be underrated anywhere.

I shall not give up the hope of a peaceful solution, or abandon my efforts for peace, as long as any chance for peace remains. I would not hesitate to pay even a third visit to Germany if I thought it would do any good. But at this moment I see nothing further that I can usefully do in the way of mediation. . . .

. . . However much we may sympathise with a small nation confronted by a big and powerful neighbour, we cannot in all circumstances undertake to involve the whole British Empire in war simply on her account. If we have to fight, it must be on larger issues than that. I am myself a man of peace to the depths of my soul. Armed conflict between nations is a nightmare to me; but if I were convinced

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that any nation had made up its mind to dominate the world by fear of its force, I should feel that it must be resisted. Under such a domination life for people who believe in liberty would not be worth living; but war is a fearful thing, and we must be very clear, before we embark on it, that it is really the great issues that are at stake, and that the call to risk everything in their defence, when all the consequences are weighed, is irresistible.

For the present I ask you to await as calmly as you can the events of the next few days. As long as war has not begun, there is always hope that it may be prevented, and you know that I am going to work for peace to the last moment.

22. *The Prime Minister's Statement in Parliament, Sept. 28 (excerpts).*

[After tracing the development of the crisis up to his arrival at Berchtesgaden the Prime Minister gave an account of his interview with Herr Hitler.]

So strongly did I get the impression that the Chancellor was contemplating an immediate invasion of Czechoslovakia that I asked him why he had allowed me to travel all that way, since I was evidently wasting my time. On that he said that if I could give him there and then an assurance that the British Government accepted the principle of self-determination he would be quite ready to discuss ways and means of carrying it out; but, if, on the contrary, I told him that such a principle could not be considered by the British Government, then he agreed that it was of no use to continue our conversations. I, of course, was not in a position to give there and then such an assurance, but I undertook to return at once to consult with my colleagues if he would refrain from active hostilities until I had had time to obtain their reply. That assurance he gave me, provided, he said, that nothing happened in Czechoslovakia of such a nature as to force his hand. That assurance has remained binding ever since. I have no doubt whatever now, looking back, that my visit alone prevented an invasion, for which everything was ready. It was clear to me that with the German troops in the positions they then occupied there was nothing that anybody could do that would prevent that invasion unless the right of self-determination were granted to the Sudeten-Germans and that quickly. That was the sole hope of a peaceful solution. . . .

Naturally, his Majesty's Government felt it necessary to consult the French Government before they replied to Herr Hitler, and, accordingly, M. Daladier and M. Bonnet were invited to fly to London for conversations with British Ministers on September 18.

[Consultation then took place in London between British and French Ministers, when it was agreed to urge the Czechoslovak Government to agree to the immediate transfer to the Reich of all areas with over 50 per cent. Sudeten German inhabitants. The Czechoslovak Government had also been informed that the British Government would be prepared to join in an international guarantee of the new boundaries against unprovoked aggression. On this point the Prime Minister observed:]

In agreeing to guarantee the future boundaries of Czechoslovakia

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against unprovoked aggression, His Majesty's Government were accepting a completely new commitment as we were not previously bound by any obligations towards Czechoslovakia other than those involved in the Covenant of the League.

[Subsequently the Prime Minister gave an account of the exchange of views between himself and Herr Hitler at Godesberg.]

The memorandum and the map were handed to me at my final interview with the Chancellor, which began at half-past ten that night and lasted into the small hours of the morning, an interview at which the German Foreign Secretary was present, as well as Sir Neville Henderson and Sir Horace Wilson; and, for the first time, I found in the memorandum a time limit. Accordingly, on this occasion I spoke very frankly. I dwelt with all the emphasis at my command on the risks which would be incurred by insisting on such terms, and on the terrible consequences of a war, if war ensued. I declared that the language and the manner of the document, which I described as an ultimatum rather than a memorandum, would profoundly shock public opinion in neutral countries, and I bitterly reproached the Chancellor for his failure to respond in any way to the efforts which I had made to secure peace. In spite of these plain words, this conversation was carried on on more friendly terms than any that had yet preceded it, and Herr Hitler informed me that he appreciated and was grateful for my efforts, but that he considered that he had made a response since he had held back the operations which he had planned and that he had offered in his proposal to Czechoslovakia a frontier very different from the one which he would have taken as the result of military conquest.

I think I should add that before saying farewell to Herr Hitler I had a few words with him in private, which I do not think are without importance. In the first place, he repeated to me with great earnestness what he had said already at Berchtesgaden—namely, that this was the last of his territorial ambitions in Europe and that he had no wish to include in the Reich people of other races than Germans. In the second place, he said, again very earnestly, that he wanted to be friends with England, and that if only this Sudeten question could be got out of the way in peace, he would gladly resume conversations. It is true he said, "There is one awkward question, the Colonies, but that is not a matter for war", and, alluding to the mobilisation of the Czechoslovakian Army, which had been announced to us in the middle of our conversations and had given rise to some disturbance, he said, about the Colonies, "There will be no mobilisation about that".

[The Prime Minister went on to describe the events of September 24 and 25, the despatch on the 26th of Sir Horace Wilson to Berlin with a personal message to Herr Hitler, the subsequent conversations in Berlin and the explicit declaration then made that France and Great Britain would stand by their respective commitments if need arose, and the reply which Sir Horace Wilson brought back from Herr Hitler.]

The reflection which was uppermost in my mind when I read his letter to me was that once more the differences and the obscurities had been narrowed down still further to a point where really it was inconceivable that they could not be settled by negotiations. So

ANTHOLOGY OF THE CRISIS

strongly did I feel this, that I felt impelled to send one more last letter—the last last—to the Chancellor. I sent him the following personal message:—

After reading your letter I feel certain that you can get all essentials without war and without delay. I am ready to come to Berlin myself at once to discuss arrangements for transfer with you and representatives of the Czech Government, together with representatives of France and Italy if you desire. I feel convinced that we could reach agreement in a week. However much you distrust the Prague Government's intentions, you cannot doubt the power of the British and French Governments to see that the promises are carried out fairly and fully and forthwith. As you know, I have stated publicly that we are prepared to undertake that they shall be so carried out. I cannot believe that you will take the responsibility of starting a world war which may end civilisation, for the sake of a few days' delay in settling this long-standing problem.

[A personal message had also been sent to Signor Mussolini, asking for his co-operation, which received a prompt and favourable response.]

Whatever views hon. Members may have had about Signor Mussolini in the past, I believe that everyone will welcome his gesture of being willing to work with us for peace in Europe. [A pause while the Prime Minister read a note which had been passed to him.] That is not all. I have something further to say to the House yet. I have now been informed by Herr Hitler that he invites me to meet him at Munich to-morrow morning. He has also invited Signor Mussolini and M. Daladier. Signor Mussolini has accepted and I have no doubt M. Daladier will also accept. I need not say what my answer will be.

23. *Agreement concluded at Munich, Sept. 29.*

Germany, the United Kingdom, France and Italy, taking into consideration the agreement, which has been already reached in principle for the cession to Germany of the Sudeten German territory, have agreed on the following terms and conditions governing the said cession and the measures consequent thereon, and by this agreement they each hold themselves responsible for the steps necessary to secure its fulfilment:—

1. The evacuation will begin on October 1.
2. The United Kingdom, France and Italy agree that the evacuation of the territory shall be completed by October 10, without any existing installations having been destroyed and that the Czechoslovak Government will be held responsible for carrying out the evacuation without damage to the said installations.
3. The conditions governing the evacuation will be laid down in detail by an international commission composed of representatives of Germany, the United Kingdom, France, Italy and Czechoslovakia.
4. The occupation by stages of the predominantly German territory by German troops will begin on October 1. The four territories marked on the attached map will be occupied by German troops in the following order: the territory marked No. I on October 1 and 2, the territory marked No. II on October 2 and 3, the territory marked No. III on October 3, 4, and 5, the territory marked No. IV on October 6 and 7. The remaining territory of preponderantly German

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character will be ascertained by the aforesaid international commission forthwith and be occupied by German troops by October 10.

5. The international commission referred to in paragraph 3 will determine the territories in which a plebiscite is to be held. These territories will be occupied by international bodies until the plebiscite has been completed. The same commission will fix the conditions in which the plebiscite is to be held, taking as a basis the conditions of the Saar plebiscite. The commission will also fix a date, not later than the end of November, on which the plebiscite will be held.

6. The final determination of the frontiers will be carried out by the international commission. This commission will also be entitled to recommend to the four Powers, Germany, the United Kingdom, France and Italy, in certain exceptional cases minor modifications in the strictly ethnographical determination of the zones which are to be transferred without plebiscite.

7. There will be a right of option into and out of the transferred territories, the option to be exercised within six months from the date of this agreement. A German-Czechoslovak commission shall determine the details of the option, consider ways of facilitating the transfer of population and settle questions of principle arising out of the said transfer.

8. The Czechoslovak Government will within a period of four weeks from the date of this agreement release from their military and police forces any Sudeten Germans who may wish to be released, and the Czechoslovak Government will within the same period release Sudeten German prisoners who are serving terms of imprisonment for political offences.

ADOLF HITLER.
NEVILLE CHAMBERLAIN.
ÉDOUARD DALADIER.
BENITO MUSSOLINI.

Annex to the Agreement.

His Majesty's Government in the United Kingdom and the French Government have entered into the above agreement on the basis that they stand by the offer, contained in paragraph 6 of the Anglo-French proposals of September 19, relating to an international guarantee of the new boundaries of the Czechoslovak State against unprovoked aggression.

When the question of the Polish and Hungarian minorities in Czechoslovakia has been settled, Germany and Italy for their part will give a guarantee to Czechoslovakia.

Declaration.

The Heads of the Governments of the four Powers declare that the problems of the Polish and Hungarian minorities in Czechoslovakia, if not settled within three months by agreement between the respective Governments, shall form the subject of another meeting of the Heads of the Governments of the four Powers here present.

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Supplementary Declaration.

All questions which may arise out of the transfer of the territory shall be considered as coming within the terms of reference to the international commission.

Composition of the International Commission.

The four Heads of Government here present agree that the international commission provided for in the agreement signed by them to-day, shall consist of the Secretary of State in the German Foreign Office, the British, French and Italian Ambassadors accredited in Berlin, and a representative to be nominated by the Government of Czechoslovakia.

24. The Anglo-German Declaration, Sept. 30.

Mr. Chamberlain, receiving representatives of the British press before his departure from Munich, said:—"I have always been of the opinion that if we could get a peaceful solution to the Czechoslovak question it would open the way generally to appeasement in Europe.

This morning I had a talk with the Führer, and we both signed the following declaration:—

We, the German Führer and Chancellor and the British Prime Minister, have had a further meeting to-day and are agreed in recognising that the question of Anglo-German relations is of the first importance for the two countries and for Europe.

We regard the agreement signed last night and the Anglo-German Naval Agreement as symbolic of the desire of our two peoples never to go to war with one another again.

We are resolved that the method of consultation shall be the method adopted to deal with any other questions that may concern our two countries, and we are determined to continue our efforts to remove possible sources of difference and thus to contribute to assure the peace of Europe."

25. Broadcast speech of General Sirovy, Sept. 30.

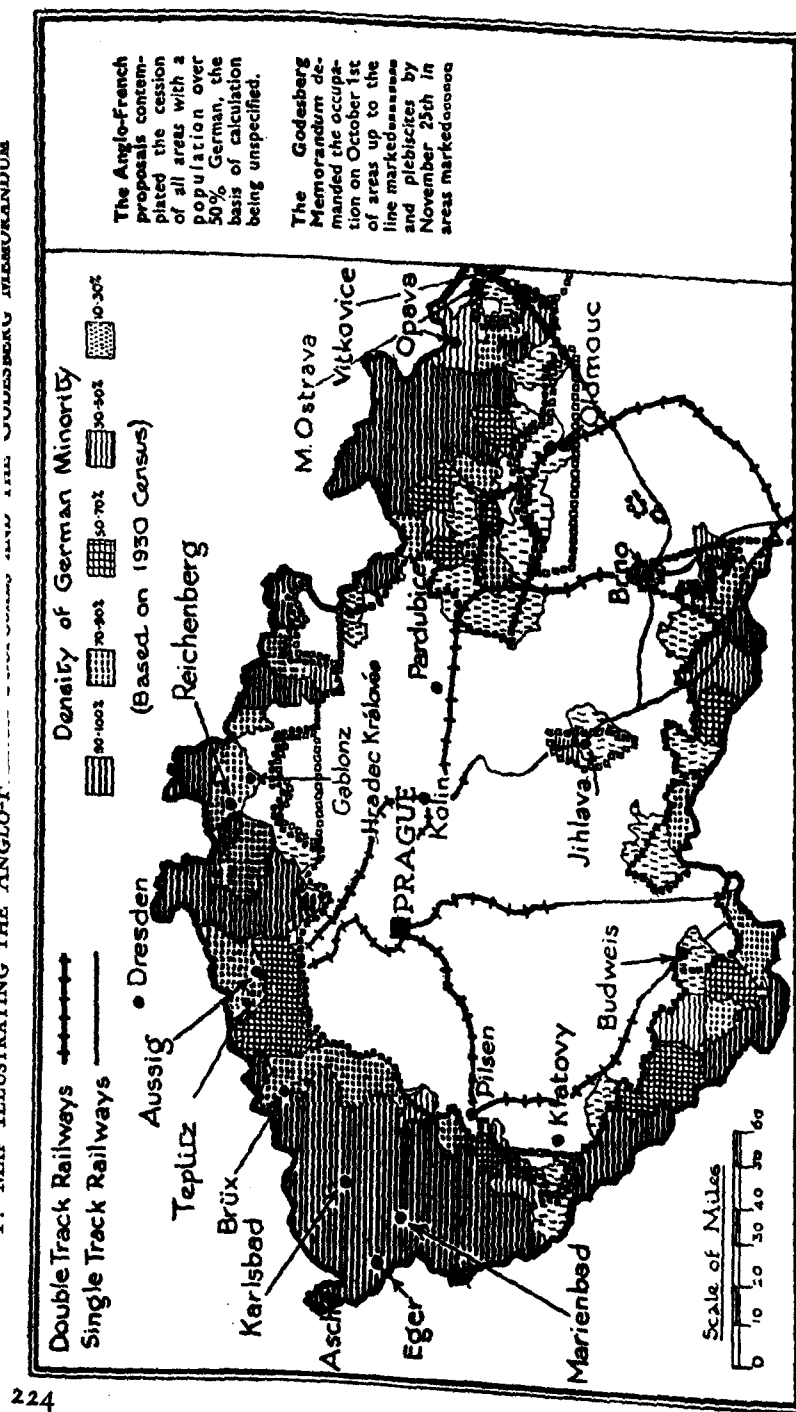
This is the most difficult moment in my life. I have taken the decision to save life and to save the nation. Superior force has compelled us to accept.

My duty was to consider everything. As a soldier I had to choose the way to peace. The nation will be stronger and more united. We have chosen the only right course.

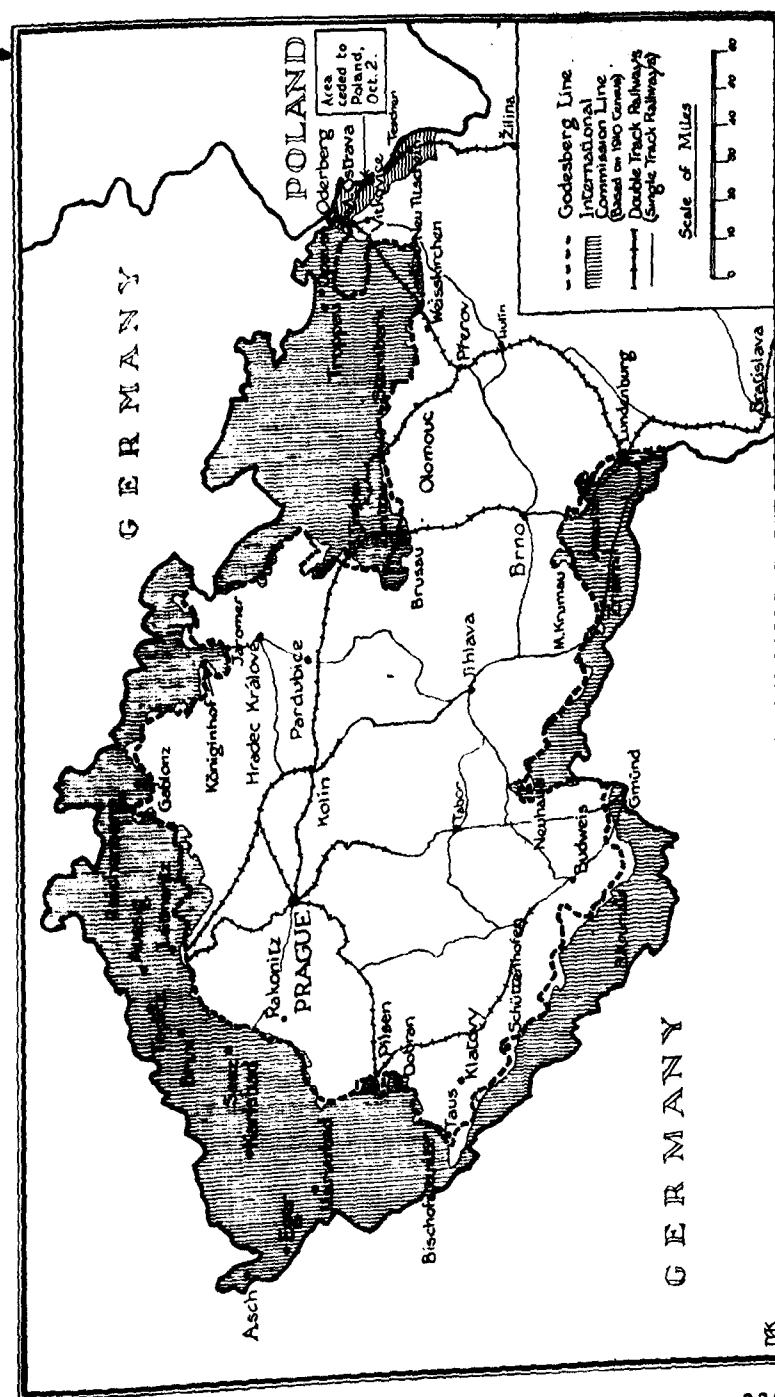
The four Powers have decided to ask from us the cession of the German territories. We had to choose between a useless fight and sacrifices. We have accepted unheard-of sacrifices imposed upon us. We have to choose between the death of the nation and cession of some territories. We shall accomplish the conditions imposed on us. The main thing is that we are remaining ourselves, and we must be united.

I am appealing to the people to maintain confidence in its leaders. Our State will not be the smallest. There are smaller States than we shall be. But an understanding with our neighbours will be easier. Our main concern must be to rebuild our State.

I. MAP ILLUSTRATING THE ANGLO-F



II. CZECHOSLOVAK FRONTIERS AS DEFINED BY THE INTERNATIONAL COMMISSION



These maps are reproduced from *The Bulletin of International News*, October 22, 1938, by courtesy of the Royal Institute of International Affairs.

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JUNE 1939

Price 5/-

London: MACMILLAN & CO., LTD.

Printed in Great Britain and entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec. 397, P.L. and R.).

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THE GRAND ALLIANCE AGAINST AGGRESSION

I. FROM APPEASEMENT TO GRAND ALLIANCE

THE last three months have witnessed a profound change of direction in British foreign policy. For the pursuit of "appeasement" there has been substituted, with the assent of all three parties, an attempt to build up a grand alliance against aggression. And, so far as can be judged from London, the change has had the general support of the other nations of the Commonwealth. What has brought this reversal about?

There has been a widespread misinterpretation of the so-called policy of "appeasement". It was not, as many believed, a policy of trying to buy off Nazi Germany by paying "danegelt", often at the expense of others. Nor was it, as others thought, a crypto-fascism forced upon the Government by the aristocratic and capitalist classes. The policy that Mr. Chamberlain began to follow when he became Prime Minister was based fundamentally on the belief that war is not the only or the best instrument of international policy, whether it is waged in the name of collective security or otherwise. More particularly, it was based on the view that Germany had been foolishly and unreasonably treated after the war, and that there would be no foundation for lasting peace until her legitimate claims in Europe, including the right to self-determination or racial unity, had been met. It would then be possible, he thought, to sit round the table with her on equal terms and make a lasting peace, by settling colonial and economic problems in return for an all-round reduction of armaments.

This was an entirely just and sensible policy in itself.

THE GRAND ALLIANCE AGAINST AGGRESSION

It ought, in fact, to have been carried into effect while the German republic still existed. What Mr. Chamberlain and a majority of people in Great Britain failed to realise, until after "Munich", was the true nature of the National Socialist power that confronted them. If they realised it, they failed to give it its due weight. National Socialism was not the "last stand of capitalism", as Marxists interpret fascism. On the contrary, it has proved itself primarily a lower-middle-class and working-class movement, able to over-ride the hostility of a capitalist and intellectual minority by the strength of its hold over the masses. Nor was it merely an attempt to secure for Germany, by temporarily organised discipline and armed strength, what impartial liberal judgment might have considered to be her rights and her fair place in the world. It was a dictatorial régime, born of the post-war repression of Germany, and obsessed by racial feeling. Having captured Germany itself and subordinated every internal activity to its will, it went on to seek power and domination at the expense of other countries, by the diplomacy of menace and breach of agreement, by the organisation of unrest within its victims, or by any other brutal means, not excluding war, that could be justified on the ground that they led to the desired end.

In the negotiations over Czechoslovakia, Mr. Chamberlain carried his policy of peace by reasonable compromise to its logical conclusion. He accepted the view that an essential condition of lasting peace was to include the Sudeten Germans within the Third Reich, thus, as Herr Hitler's own assurance gave him cause to believe, satisfying the Fuehrer's last territorial claim in Europe. At the Godesberg conference, Herr Hitler, not content with the Anglo-French terms—that is, the pacific concession of his demand for Sudetenland, provided that it was carried out gradually and under international supervision—insisted upon an immediate military occupation of a larger area. It was evidently this incident that first began to open Mr. Chamberlain's eyes. He had to decide, in that fatal

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week, whether to risk war then, or to gain time for pacific forces to work against war and for the democracies to re-organise and expand their still backward armaments. In the knowledge that the Anglo-French preparations in the air and against air attack were still quite inadequate, and that there was no way of saving Czechoslovakia from being overrun by Germany both from the Austrian back-door and from the north, the British and the French Governments agreed, on condition that Germany refrained from invading Czechoslovakia, to accept some modification of their terms. History will decide whether Mr. Chamberlain was right in this decision or not. There is much to be said on both sides, and there was certainly no unanimity in public opinion at the time, either in Great Britain or in the Dominions. The evidence goes to show that Mr. Chamberlain's policy met with thankfulness and approval among the majority of people in the British Commonwealth.

Later events, however, have rapidly convinced not only the British Cabinet but also the overwhelming mass of people in Great Britain, and apparently in the British countries overseas and in the United States, that they are no longer confronted by claims for a reasonable dispensing of justice, but for something quite different, the forcible re-partitioning of the world, leading to its domination by the fascist totalitarian philosophy. In Herr Hitler's Saarbrücken speech of October 9, when he rejected Mr. Chamberlain's plea for negotiation because the latter was Prime Minister of a democracy that might at any time change its Government, in the renewed and sadistic persecution of the Jews, and finally in the attainment of his real aims of September last by a sudden military invasion of Bohemia and Moravia, followed by their annexation and the arrest by the Gestapo of all Czech leaders of independence and character, he made his real objective clear. He expounded his new programme in his speech to the Reichstag in reply to President Roosevelt's April note. What Herr Hitler demands is no longer the unity of the German race and

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a revision of the unjust clauses of the Versailles treaty but "*Lebensraum*". This implies territorial expansion of a kind and extent to include under the direct government of the Reich lands for settlement, and the raw materials foodstuffs and markets needed to make Germany fully self-sufficing, this to be achieved by the annexation and subordination of other peoples; and a superiority of armed force over all her neighbours, in the name of German security, to the end that Germany shall become the unassailable overlord of Europe, and ultimately of the whole non-American world.

There is an economic aspect of this claim which is legitimate and which the democracies will have to meet in some way. To this problem we will return later. When, however, the claim is pressed as the spearhead of a military imperialism, backed by a "total" organisation for war, which seeks to overthrow both individual and national freedom, the western democracies have no option but to take up the challenge. Their reply has been, not collective security on the old League model, but something very different, a grand alliance against aggression from a particular though not openly specified quarter.

At the time of writing that grand alliance takes the form of a mutual guarantee between Poland and Great Britain, reinforcing the Franco-Polish alliance, and stipulating that if either party is attacked, and decides to resist, the other party will come to its assistance with all its strength; of a mutual undertaking between Great Britain and Turkey to lend each other all the aid and assistance in their power in the event of an act of aggression leading to war in the Mediterranean area; and of unilateral guarantees by France and Great Britain to come to the assistance of Greece and Rumania, if they are attacked and resist.* Negotiations to include Soviet Russia in the system are continuing. Those are very formidable obligations, legally binding on Great Britain alone and not on the Dominions, though they have

* For the terms of these engagements, see below, pp. 604-606.

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been entered into, if not with their consent, at least without their dissent, so far as is known. In order to bring conviction of her sincerity to her allies, and to provide in as short a time as possible the reserves necessary to maintain an expeditionary force that could reinforce France, Portugal, Iraq, or Egypt or any threatened part of the Commonwealth in time of crisis, Great Britain has thrown over her ancient tradition of voluntary military service in time of peace, and has adopted a system of conscription.

The fundamental argument for this drastic change is necessity. The plan set forth in *Mein Kampf* is that of organising an absolutely united, disciplined and highly armed Germany, able through the resolution of its diplomacy and the weight of its armed might to impose its will on all its neighbours, one by one, where necessary with the help of allies. That plan was used first to escape from the fetters of the peace treaties, through the re-introduction of conscription, the breaches of other disarmament clauses, the re-militarisation of the Rhineland, and the absorption of Austria into the Reich. It was successful largely because the neighbours of Germany were unable to unite, feeling, as they did, that fundamentally Germany had much justice on her side in these demands. A large number felt the same about the Sudetenland. But the drastic and brutal subjugation of Czechoslovakia, in direct violation of the Munich "peace", followed by parallel action by Italy in Albania, produced a vehement revulsion of feeling. The test of justice now pointed the other way. There was nothing in the peace treaties to equal in repression the treatment of the Czechs. But by then the strategic position had been gravely prejudiced. It was clear that, unless Great Britain and France could form a solid coalition of resistance to further aggression, it would grow much worse. Poland, Rumania, Yugoslavia and the rest of the small States of central Europe would be speedily overrun or coerced into subordination; Russia and the United States

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would retire into defensive isolation; and Great Britain and France would be left alone, without allies, to attempt to resist the remorseless advance, first over Europe and then over most of Asia and Africa, of the anti-Comintern Juggernaut.

So far, the building of the grand coalition has gone well. Combined with the movement of the American fleet to the Pacific, it seems to have had the effect of loosening the allegiance of Japan to the Axis group. It has also raised in Italy widespread doubts whether the Axis policy is not leading her into total subordination to German policy, while leaving her to bear the main brunt of a war. On the other hand, all coalitions are inherently unstable. They depend upon the willingness of each member to go to war for all the rest, and that willingness is apt to flag with time.

It is extremely unlikely that Herr Hitler is going to abandon his programme. He will certainly try to prove that the coalition is not as solid as it seems. Some believe that he will try conclusions with France and England in the very near future, before they are fully rearmed; for, if he could achieve a sudden victory by the violence and unexpectedness of his attack, that would be his shortest road to world power. Others believe that he will wait until the present tension has died down, and then resume his military pressure on the weakest element in the grand alliance, confident that the rest will shrink from taking action that might lead to world war in order to prevent, for instance, the incorporation in the Reich of the German city of Danzig, which is also the key to Polish independence. If he succeeds in this, he will use this local success to prove that the coalition is impotent against German power and his own diplomatic skill. If the coalition resists, as it ought, it will be taking its stand, not on the particular merits of the Danzig issue or any other, but in order to restore two principles necessary to civilised international life: that every free nation, like the Czechs, has the right to independence, and that, the overdue changes in the treaty

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settlement having now been made, any further revision of the *status quo* must be carried out by free negotiation and not at the point of the sword.

II. WHY THE LEAGUE FAILED

BUT the consolidation of a coalition against aggression is clearly not enough. Before considering, however, the constructive policy that the democracies should offer as the alternative to the imperialism of the fascist Powers, let us examine briefly the reason why, despite the high hopes created by the victory of 1918 and the inauguration of the League of Nations, we find ourselves in the dire position of to-day. It is all the more important to do this because there is a tendency throughout the Commonwealth to attribute to the British Government all the responsibility for our troubles, whereas, on any dispassionate view, that responsibility must be shared by other Governments and also by the Opposition critics in Parliament themselves.

The prospects of a new and better world, based on the League of Nations, depended upon two conditions. The first was universal membership of the League, which meant the adhesion of the United States and in due course of Germany and of Russia. The second condition was three-fold: that the peace settlement should have been such as to command, in time, general acceptance; that the League should have adequate powers of treaty revision; and above all that it should be able to limit both economic nationalism and armaments. In fact, none of these conditions was realised. There was no universality, because the United States rejected the League, and by the time that Russia was ready to join it Japan, Germany and, in effect, Italy, had withdrawn, in order to try to upset the *status quo* by force. There was no real revision, because, on the lapse of the Anglo-American treaty of guarantee to France, through the withdrawal of the United States and Great Britain's delay in offering to fulfil it by herself, France fell back upon her

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original policy of attempting to keep Germany permanently weak. She exchanged Briand for Poincaré, invaded the Ruhr, organised an anti-German alliance system which dominated the League, and refused to make any concession on the fundamental territorial conditions of the treaty of Versailles, or on the clauses requiring Germany's unilateral disarmament and prohibiting the military occupation of the Rhineland, until she had been given back the joint Anglo-American security that she had been promised. This was perhaps a natural policy in the circumstances. But it was a fatal policy. It prevented the League from doing its proper work in Europe, and it became in the end the major factor in giving Hitler and National Socialism control of Germany.

Perhaps even more serious, in the long run, was the inability of the League to limit economic nationalism. The stoppage of migration, the well-nigh universal pursuit of national self-sufficiency by way of high protection, quotas, embargoes, exchange restrictions and subsidies, and the attempt to collect unmanageable war debts and reparations, were the main causes of the unemployment and the social stresses that led to the substitution of totalitarianism or militarism for liberal democracy in Italy, Japan and Germany and in other smaller countries.

The failure of the League to realise the three conditions mentioned above was not due principally to the defects of individual statesmen: it was the inexorable consequence of the decision, inevitable no doubt in 1919, that the post-war world should be organised as a system of co-operation between sovereign States.

A further and even more formidable consequence was the growth of a movement, gathering strength as war-weariness died away and the difficulty of obtaining treaty revision by peaceful means became clearer, to alter the settlement by force. The militarist and dictatorial parties that came to power in the wake of this movement rapidly began to win local successes, in the Far East, in Abyssinia, in Europe. They were able to do so mainly because of two

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fundamental mistakes made by the English-speaking peoples in their post-war policies. Although it had taken the combined resources of France, the British Commonwealth and the United States, not to mention smaller countries, to defeat Imperial Germany and her allies, and although, as is now clear, if the League was to function and the liberal principles of the post-war settlement were to be protected, an irresistible coalition should have been maintained at the heart of the League, the three victorious democratic great Powers fell apart immediately the war was over. Secondly, Great Britain and the United States, trusting to their apparent geographical immunity, not only withheld their guarantee to France, but also adopted the convenient view that disarmament was the road to peace.

This was, in practice, a fatal policy in a world in which all nations still retained their sovereignty, and in which there was no general acquiescence in the *status quo*. Until federation abolishes sovereignty and creates a true world government amenable to public opinion, the nations will continue to live in anarchy, whatever their contractual obligations may be; and under conditions of anarchy it is power and not public opinion that counts. For sovereign States, when their rights are denied or their interests diverge, and they fail to settle the dispute by arbitration, diplomacy or conference, find that their only remedy is an appeal to force. Even when Japan, Italy and Germany, dissatisfied with the *status quo* and determined to alter it by the show of superior military power, had begun to discipline their people and to rearm, the British Commonwealth and the United States still clung to the ideal of disarmament. The fundamental, though not the only, explanation of the tragic history of the last eight years is to be found in the failure of the English-speaking democracies to realise that they could prevent aggression only by unity and by being strongly armed enough to resist it wherever it was attempted. For this the Oppositions have been at least as responsible as the Governments.

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The story begins with Manchuria. By 1931, the military party in Japan had made up its mind that the only way either to relieve internal economic tensions in Japan or to secure her political future as a great Power was to expand in China. They began that expansion by the annexation of Manchuria. It is widely believed that, if only Sir John Simon had supported Mr. Stimson instantly and vigorously, the first breach in the post-war treaty system would have been prevented and all subsequent disintegration avoided. Sir John Simon's diplomacy may indeed have been slow and unsympathetic. But the interpretation does not take into account the underlying realities. The Far East and the Pacific were governed, at that time, by the Washington treaties, which contained, in substance, two provisions. The first was that the nine signatory Powers would respect the integrity and independence of China, which included Manchuria. The second was that the three main naval Powers, Great Britain, the United States and Japan would end the possibility of war between them by agreeing to a naval ratio of 5 : 5 : 3 for the three navies and to the non-fortification of any naval harbours in the vast ocean triangle bounded by Hawaii, the mainland of Japan and Singapore. This last provision gave the United States command of the eastern Pacific, Great Britain that of the southern Pacific and the seas around the Dutch islands, and Japan that of the China seas and the western Pacific.

The Washington treaties, admirable as they were from the liberal point of view, gave the Japanese power-politician his opportunity. The power-politician feels free to embark upon a policy of might when he is convinced that no superior force, military or economic, will be brought against him. In the absence of such superior force, no appeals to the moral judgment of mankind have the slightest effect. In no instance since the war has the militarist been deterred by moral condemnation, neither in China, nor in Abyssinia, nor in Spain, nor in

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central Europe. The only way, therefore, in which Japan could have been checked in Manchuria would have been for the League Powers and the United States to impose decisive economic sanctions. Such a policy was never proposed either by the United States or by Great Britain. But that is only half the problem. Collective economic sanctions, to be effective, require collective action in dealing with retaliation. Over Manchuria as over the invasion of China in 1937, effective economic sanctions would almost certainly have led to retaliation by Japan—in the shape, no doubt, of an attempt to seize vital supplies of oil and rubber from the tropical territories to the south—unless she had been opposed by superior naval power. In 1931, the naval base of Singapore was not built, and Russia was not in the League; and in 1937, while Russia was a member of the League and the Singapore base was nearly complete, the British navy was so deeply engaged in the Mediterranean and the North Sea that Great Britain would have found it very difficult to maintain at Singapore a force superior to the force that Japan could deploy against her. Any collective policy against aggression in the Pacific therefore depended then, as it depends now, on whether the supreme navy in the Pacific, the American navy, is or is not "in the game". And no promise to use the American navy in joint resistance to retaliation against any collective sanctions was forthcoming, either in 1931 or in 1937.

The Far Eastern case illustrates the essence of the whole problem of the last nine years. In the game of power politics as played by the totalitarian States, what counts in any crisis is not the moral justification for one's cause, though that may have profound effects in the long run, but the armed power that can be brought to bear at the particular spot involved. If the British Government, like the French and other Governments, have been irresolute in their diplomacy, a main cause of that irresolution has been the knowledge that the opposing Powers were as a rule stronger than the democracies at the particular point

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menaced, and that the democracies were extremely loath to use war or the threat of war as an instrument of their policy. The weakness of the Opposition in Great Britain has been that, while the policy that it has advocated has often been theoretically right, it has demanded bricks without straw, because until comparatively late in the day it resisted rearmament, without which its policy would have led to disaster, just as it has recently resisted conscription. Neither Government nor Opposition can therefore escape responsibility for the present situation, and it would conduce to national unity if both sides would admit that the other side had not been solely to blame. And much the same may be said of the British Commonwealth overseas. The most passionate critics of United Kingdom policy in the Dominions, and those who have demanded most loudly the taking of vigorous action, have seldom urged their own countries to prepare for, or to pledge themselves to take an active part in, the armed struggle to which the adoption of their policy might lead.

In all the subsequent crises through which we have degenerated into our present position, the same issue can be seen. Except over Abyssinia, where the decisive factor was the determination of France, after Herr Hitler's re-introduction of conscription, not to break the Stresa front and thus to drive Italy into Germany's arms, the problem was always the reluctance of the democracies to threaten or use war as the instrument of their policy, combined with their military unpreparedness. This difficulty of adjusting their external policy to the means that they possess to enforce it is almost inherent in democracy. Within a democratic State, the question of adjusting policy to power never arises. Party warfare, by wordy controversy, seeks to collect a majority of votes at the next general election, after which the control of the overwhelming legislative and police power of the state automatically passes, without bloodshed, into the hands of the victorious party. But in international affairs recriminatory propaganda does not

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persuade other nations. In so far as it reaches them at all, it only infuriates them. There is no general election at which the issues can be settled and power transferred by majority vote. Where agreement by conference or diplomacy proves impossible, only an appeal to power politics or war remains, and the decisive question is which party can mobilise superior armed force at the point of crisis or in the world as a whole.

At long last these realities seem to have been grasped by all parties in Great Britain. The Government have realised that appeasement by reasonable compromise will not suffice unless they can make clear that they can and will resist attempts to impose decisions by force. The Opposition are realising that phrases and a fine moral policy will not suffice unless they are willing to make the sacrifices necessary to produce superiority in armed power at the point where the crisis arises. And both now realise that collective security, in the old League sense of the term, disappeared as soon as the great Powers began to rearm, because the small nations, who can produce little armed strength, were thus inevitably driven back to neutrality; and that, once the totalitarian militarist Powers set out to alter the *status quo* by force, the only answer was the grand military alliance, which it was one of the main objects of the League to prevent.

III. ALLIANCE IS NOT ENOUGH

THE organisation of resistance to aggression is not, however, a sufficient policy either for the democracies or for the British Commonwealth, even though it be the most urgent task immediately before them. If they are to succeed in resisting totalitarian aggression, and still more if they are to avoid the world war towards which, in the end, the reappearance of two great military alliances logically leads, they must be able to put forward a constructive programme. Not only must the programme command

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unity and-enthusiasm among themselves; it must also offer a better future to the peoples of the totalitarian States than that which subservience to the present policy of their leaders promises. That programme, in addition to standing for the liberty of the individual as against the secret state police, and for the autonomy of all nations, must also contain two other fundamental elements. The first is reasonable economic liberty and equality both for individuals and for nations. The second is some form of world organisation that will assure security for these conditions and lasting peace.

These two objectives are in fact inseparable. The most formidable pressures towards imperialism and expansionism in the last fifteen years have been economic. Japan says that she has entered China because in no other way could the inhabitants of her own islands live. Italy, deprived of the relief of emigration to the New World and of access to markets, justified her conquest of Abyssinia on the same grounds. Hitler now points to the map and demands *Lebensraum*—living space—for the German people. Germany, he says, must eat or die. On no other excuse could the dictatorships persuade their peoples to submit both to rigid discipline at home and to the risks of war abroad. It would be relatively easy to adjust the administrative frontiers between racial States, were it not that the political frontiers are also the barriers to emigration and economic intercourse. If, under a universal régime of free trade and national self-government, the resources and markets of the whole world were open to everybody, there would be no justification for imperialism, and the main present ground for international outrage would disappear. Because all nations to-day try to keep their markets to themselves, forbid immigration, and bar international trade by tariffs, quotas, exchange controls and subsidies, those who study maps contrast the apparently vast extent of the French and British empires, or the thinly populated United States or British Dominions, with the crowded territorial areas of

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Germany or Japan, and proceed to demand territorial revision on the grounds of equality and justice. Yet her empire has not solved her economic problem for Great Britain. Partly because she has encouraged self-government, with the result that each constituent State has its own economic policy, and partly because the big international trade of the world is always between the developed industrial States and not with colonies at all, and this trade has been restricted by economic nationalism, she still has a vast army of unemployed.

If there is not to be a world war for the redistribution of natural resources by territorial changes—a war that would solve nothing because it would not strike at the root of the problem—it is essential that the democracies should face the issues involved. This requires both a short-distance and a long-distance policy. An immediate step was advocated by President Roosevelt in his letter to Herr Hitler and Signor Mussolini proposing an international conference to deal with these economic problems, and with disarmament, provided there was agreement on a ten years' truce from war. That proposal should be kept in the forefront of diplomatic discussion, though it is unlikely to be effective unless and until the democracies and their allies can convince the dictatorships that an attempt to re-draw the map by power politics or war cannot succeed.

But any permanent solution of this economic problem, as of the problem of peace and of national and individual liberty, depends upon whether the nations can deal in some way with the national sovereignty that has destroyed the League and the hopes with which the war of 1914-18 ended. It is now quite clear that the nations cannot secure peace, liberty or prosperity, either by isolationism or by neutrality, or by any League or contractual system that leaves the sovereignty of its members intact. Indeed the anarchy of sovereignty lies at the bottom of the totalitarian attempt to create peace and order in Europe and perhaps elsewhere in the world by imperialism, that is, by the domination of

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certain armed races over the rest, at the price of the loss both of individual and of national freedom. That attempt cannot in the end succeed. The forces of liberty are too well organised and too strong, though immense loss and damage may be inflicted on the world before that issue is decided. But in the long run, if the world is not to be doomed to recurrent war to save national liberty from being destroyed by imperialism, there must be a new system of international organisation, stronger than the League. It must be strong enough to prevent rearmament and war. It must be empowered to restrain economic nationalism and prevent the undue restriction of emigration. The price of this is that the nations should be willing to surrender some of the unlimited sovereignty that they now possess. Then, and then only, will mankind have begun to lay the constitutional foundations on which alone a true world civilisation can be built, giving peace, national and individual liberty, and prosperity to all.*

* For a further discussion of this issue, see the article below on "Union Now."

PALESTINE: A LEAF TURNED

I. THE LONDON MEETINGS

THE London Conference on Palestine failed conspicuously in its prime object of reaching an agreed settlement. No blame for that can be said to attach to Mr. Malcolm MacDonald, the Colonial Secretary, who devoted himself to the task of mediation with untiring patience and persistence. In the strict sense of the word there was no conference at all, but rather two series of parallel conversations with the British Government; for on no occasion did the Palestinian Arabs meet or confer with the Jewish representatives. This refusal to recognise the *locus standi* of the Jewish Agency for Palestine, the "appropriate Jewish agency" set up by article IV of the mandate, may be taken as a measure of Arab intransigence.

The Arab delegation included five members of the former Higher Arab Committee, who expressed the views of their absent leader, the Mufti, and two representatives of the Arab Defence (or Nashashibi) party. The latter group are rivals of the Mufti's clan, the Husseini, but differ from them only over the employment of terrorism. In addition, the British Government invited representatives of the neighbouring States, Egypt, Iraq, Saudi Arabia, the Yemen and Trans-Jordan. Thirdly, there was the Jewish delegation, consisting of Dr. Chaim Weizmann and four other members of the Agency, together with certain members of the Jewish Conference Committee, an advisory body representative of world Jewry.

It will be well to consider the points of view of each of the participating delegations as expressed during the opening sessions; for none of them subsequently deviated in

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any important particular from its initial position. The Palestinian Arabs demanded political independence and the immediate cessation of Jewish immigration, offering safeguards to the existing Jewish minority and an alliance with Great Britain on lines similar to the Egyptian and 'Iraqi treaties. They were demanding, they insisted, nothing more than their bare rights, which had been explicitly recognised in British pledges given during the war of 1914-18 in return for support against the Turks. Palestine, they claimed, was an Arab country, having as clear a right to independence as her autonomous neighbours; and, that being so, the determination of the Arab population to prevent further Jewish penetration was in law and equity irresistible. No peaceful settlement was possible which failed to recognise and accept that exercise of a national will. The contention of the representatives from the neighbouring States differed from this only as regards the implications of the Arab case. To their Palestinian colleagues they counselled moderation in method of presentation: to the British they laid more stress upon the importance of a contented Palestine to British imperial interests in the Moslem world.

If the Arabs claimed that they had right on their side, so too did the Jews, and with equally passionate conviction. By the Balfour Declaration, they said, the British Government had solemnly bound itself to promote a Jewish National Home in Palestine, and that promise had been explicitly recognised and confirmed by fifty-two member-nations of the League in drafting the terms of the mandate. The Jews had faithfully carried out their side of the bargain by supporting the Allied cause in all parts of the world. They did not now ask for an eventual majority in Palestine as a whole: indeed, they had steadily circumscribed their aims for the sake of relieving the embarrassment of the mandatory Power, until finally they had accepted (though with great reluctance) the partition scheme, which would have restricted Jewish settlement to a small corner of the

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country. They were prepared to give fair and serious consideration to any proposals, provided that they did not contravene two conditions: the maintenance of parity status, and non-crystallisation of the existing position respecting land settlement. As to the contention that the Jews were in Palestine on sufferance and not as of right, because Palestine had, in fact, been included among the Arab territories for which independence had been promised, the relevant documents (the Jewish delegates asserted) would not bear any such interpretation.

The Jews were on the defensive, but they clung grimly to what they felt to be the essential *minima*, that is to say, a guaranteed security in Palestine (other than mere Arab promises) and continued opportunity, under almost any form of restriction, to plant Jewish immigrants on the land in so far as economic conditions could be shown to justify it. In other words, let everything possible be done to satisfy Arab aspirations, but Zionism—however limited the sphere—must go on. And that, of course, was precisely where the Arabs returned an adamant "No".

II. PLEDGES AND THEIR MEANING

IN searching for a basis upon which to build a settlement acceptable to all parties, the British Government found themselves confronted by the circumstance that Arabs and Jews based their claims of right upon directly opposing interpretations of certain historical documents. The famous correspondence between Sir Henry McMahon, High Commissioner at Cairo, and the Sherif Hussein of Mecca, in 1915 and 1916, was accordingly published in full as a White Paper, and this was followed by another which included the message of Commander Hogarth to Hussein in January 1918, and the declaration of the High Commissioner to the seven Arab leaders in Cairo in June of that year.* A British committee, with the Lord Chancellor as

* Extracts from these documents are printed below, pp. 470-475.

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chairman, scrutinised these and other relevant documents in collaboration with certain of the Arab delegates. The official British interpretation decisively negated the Arab contention that Palestine was among the territories to which independence had been promised. Taken by itself, that denial would validate the opposite contention that Palestine was a country where there was no bar to the establishment of a Jewish State. But the committee's report did not stop there: it went on to examine the other relevant declarations and promises, and arrived at this equally important conclusion: "it is evident from these statements that His Majesty's Government were not free to dispose of Palestine without regard for the wishes and interests of the inhabitants of Palestine." The following pledge had indeed been given in the "Declaration to the Seven":

It is the wish and desire of His Majesty's Government that the future government of these regions * should be based upon the principle of the consent of the governed, and this policy has and will continue to have the support of His Majesty's Government.

In the opinion, therefore, of the British Government they are not bound by pledges to grant independence to the Palestinian Arabs, they are bound by the Balfour Declaration to promote a National Home for the Jews, and they are further bound not to dispose of Palestine in opposition to the wishes of the inhabitants.

What *were* the wishes of the inhabitants? They were inarticulate at the time, but the views of their leaders seem clear enough. Commander Hogarth, commenting on his conversation with King Hussein in January 1918, wrote:

The king would not accept an independent Jew State in Palestine, nor was I instructed to warn him that such a State was contemplated by Great Britain. He probably knows little or nothing of the actual or possible economy of Palestine and his ready assent to Jewish settlement there is not worth very much. But

* I.e. "Areas formerly under Ottoman dominion, occupied by the Allied forces during the present war."

PLEDGES AND THEIR MEANING

I think he appreciates the financial advantage of Arab co-operation with the Jews.

There is evidence that the Emir Feisal and other Arab leaders also gave their assent and approval to the project of a Jewish National Home. The very fact that they did so seems to show beyond doubt that they assumed the compatibility of the project with the general pledge of Arab self-government—the sole *raison d'être* of the Arab Revolt. The establishment of a colony of wealthy and enterprising fellow-Semites in Palestine would seem as desirable as did the immigration of Flemish weavers into England in the days of Edward III. How could these Arabs foresee that the undying passion for the rebuilding of Zion would loose the purse-strings of Jews throughout the world and inspire the settlers with such heroism that the desert literally blossomed as the rose? Zionism, in fact, has been almost too successful to succeed.

The "wishes of the inhabitants", then, may be summarised as an initial welcome, given under a misapprehension, a welcome which has now been withdrawn as the result of experience, and which no arguments of economic advantage will induce them to restore. In their eyes, Zionism, from being a useful aid, has become a menace to their national existence, and therefore no longer compatible with Arab self-determination.

And what of the British Government? According to Mr. Lloyd George's evidence before the Peel Commission, the possibility of a Jewish commonwealth in which the Arab population would be in a minority was in fact contemplated. To that, the only honourable answer is that our pledges to the Arabs were never consistent with a Jewish majority in Palestine as a whole, and no valid promise implying this could ever have been given. The Balfour Declaration holds good—it must: but only in so far as it does not obstruct the evolution of Arab self-government. Many Jews would accept that proposition to-day, subject to certain conditions.

PALESTINE: A LEAF TURNED

The problem confronting the Government is how to render a Jewish National Home compatible with the equally valid aspirations of the Arabs. It is far more difficult now than it was at the outset, for the Arabs are afraid, furiously afraid; and the Zionists, who had hoped to master the country and so to be masters of their own destiny in at least one corner of the world (and that the most sacred), find themselves in danger of sinking into an unprotected minority, living on sufferance and subject to the caprice of their hosts—a return, in short, to their immemorial captivity. Rather than submit, many Palestinian Jews would fight, forlorn though their cause would be. The prospect of British troops in action against a Jewish community of refugees is not pleasant to contemplate. On the other hand, expediency no less than honour demands that our pledge to the Arabs shall be no longer delayed in its execution. The Zionists counted on winning security by means of predominance. How is that security, to which they have an unquenchable right, to be assured to them as a minority? That is the immediate problem.

III. PAST EFFORTS AT SOLUTION

IN order to test by these vital requirements the British Government's latest proposals for Palestine, it will be well to consider briefly the solutions previously suggested. They may be described as the Shaw plan, the partition scheme and the Woodhead compromise. In 1930, in consequence of growing unrest in Palestine, the Shaw Commission were sent out, and in due course made a report. Its terms implied such far-reaching changes in policy that Sir John Hope Simpson was hastily despatched to re-examine the situation. His report, however, substantially endorsed that of the Commission. Thereupon Lord Passfield embodied their recommendations in a White Paper which aroused a storm of protest. He proposed to establish autonomy in Palestine in successive stages, and

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to impose drastic restrictions upon Jewish immigration and land purchase, in order to check the serious increase of landless Arabs. Naturally, the Zionists were alarmed: the ground was slipping from beneath their feet. Pressure was accordingly brought to bear upon the Government, with the result that Mr. Ramsay MacDonald, in his famous letter of 1931 to Dr. Weizmann, capitulated. The first serious attempt to reduce the implications of the Balfour Declaration to terms compatible with our pledges to the Arabs had failed. Meanwhile, the situation in Palestine itself grew progressively worse.

Then came the Royal Commission, headed by Lord Peel. Their report is the most brilliant and balanced exposition of the problem that has ever been written. They frankly recognised that in Palestine there was a conflict of right *versus* right; that being so, the proper answer to the question whether it was to be the Jews or the Arabs who should dominate Palestine was "Neither". Searching for means wherewith to translate that principle into action, they hit upon the valuable device of territorial limitation. Let the country be partitioned into two independent areas, one Jewish and the other Arab. In the former the Zionists would be free to convert their ancient dream into reality, importing as many Jews as they found themselves able to absorb. Similarly, in the latter, the Arabs would be masters of their own destiny, free at last from any fear of Jewish encroachment. Thirdly, the sacred sites in and about Jerusalem would be withheld from the control of either and retained under an international mandate. The principle of territorial limitation was indubitably sound, and it is not too much to say that no future plan which ignores it has any chance of success. But unfortunately the population pattern of the country does not correspond to two racial *blocs*, however the boundaries may be drawn. Recognising this, the Peel Commission recommended the compulsory transference of population. The British Government, on receiving the report, accepted the principle

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of partition, but rejected compulsory removal. In so doing, they virtually killed the partition plan.

The Woodhead Commission thus went out to Palestine to make the best of a scheme already rendered moribund. The boundary plan tentatively suggested by the Peel Commission was examined and rejected, chiefly because the proposed Jewish State would have included 295,000 Arabs as against 305,000 Jews, while within the Arab State there would be only 7,200 Jews and 485,200 Arabs. A forced transplantation was ruled out, and an effective adjustment by means of voluntary exchange was for obvious numerical reasons impossible. The commissioners then turned to a variant of the Peel Commission's scheme, which they called "Plan B". This would have excluded Galilee from the Jewish State, the land and population in that area being overwhelmingly Arab. But what was to be done with Galilee? If it remained under Arab control, it would constitute, from its position, a permanent military menace to the Jews. If, on the other hand, it remained under mandatory control, the Galilee Arabs would be denied their independence "in order to ensure the security of the Jewish State". Plan B was accordingly rejected.

The Commission then discussed a partition scheme of their own, under which there would be a northern mandated territory (an enlarged Galilee), a Jewish State along the coast, an Arab State in the centre, a mandated enclave about Jerusalem, and a southern mandated territory comprising the Negeb. It is clear that the Woodhead Commission regarded their plan with serious misgiving. The Galilee problem had not been solved, and grave objections relating to defence, financial administration and labour problems were frankly admitted. Finally, in desperation they went beyond their terms of reference and proposed a customs union for the five suggested zones, directed by the mandatory Power, a service that might possibly be extended to include railways, posts and telegraphs. They thus proposed an important curtailment of political independence.

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Although their terms of reference have been criticised by advocates of the Peel Commission's scheme of partition, the Woodhead Commission manifestly gave the most patient attention, not only to problems of defence, but also to statistics of population, industry, soil productivity and hydrographic surveys; and found that in sum they pointed irresistibly to the impracticability of carving the country into politically independent parts. Palestine is industrially and strategically one unit. Moreover, the fact remains that the mere mention of the word "partition" provokes so violent a reaction in the mind of the Arab that its attempted application would undoubtedly cause immediate civil war within the Jewish State.

Yet this is not to say that the idea of territorial limitation is wrong in principle or inapplicable in practice. The report of the Peel Commission has been unjustly depreciated. It made an invaluable contribution to a permanent settlement by pointing out that Jews and Arabs must be sorted out from each other, in order that each party should be able to live its own life in its own way. But complete political separation goes too far, because it ignores the fact that the two race groups are economically and strategically interlocked. What is required to fit the circumstances is political segregation combined with association for common purposes—which is another way of describing federalism. An independent Palestinian federation alone satisfies the crucial tests. It provides for a Jewish National Home on a territorial basis without arousing the fear (and therefore the hostility) of the Arabs. It implements the general pledge of independence given to the Arabs, which ought no longer to be denied them. And—what is perhaps most important of all—it meets the needs of a complex social and economic situation, under which an Arab population, which is multiplying at a phenomenal rate, will be in increasingly urgent need of more cultivable land, better methods of agriculture, and wider fields of employment, which Jewish enterprise and

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capital can provide. But before the latter can so provide, and before the Arabs will consent to receive, there must be mutual trust and confidence, which can only grow out of a sense of security on the part of each. Political separation would achieve a certain degree of security: but only a federal solution can combine security with co-operation—without which the country will eventually face destitution and anarchy.

IV. THE BRITISH GOVERNMENT'S PLAN

IT remains to be considered how far, if at all, the British Government have moved towards a federal solution. On February 27 last, when the London Conference was in complete deadlock, the Colonial Secretary produced a tentative outline plan. This document apparently envisaged the emergence of a sovereign independent Palestine after a period of transition, during which Arabs and Jews would be associated in the administration. If this were accepted as a basis, questions concerning immigration, land sales and the safeguarding of minorities would be settled at a subsequent conference. The Arabs' reception was lukewarm: that of the Jews was immediate and downright rejection. The former disliked the period of probation, and more particularly the ambiguity concerning future Jewish immigration and land purchase, while the latter asserted accurately enough that their essential *minima*, parity status and non-crystallisation of the present position of the National Home, had been entirely ignored.

On March 16 the Government made a final effort to reach an agreed settlement by producing a new and detailed scheme. In general shape, this seems to have been not unlike the definitive plan eventually published on May 17,* after further consultations had taken place in London, Jerusalem and Cairo. After analysing the terms of the mandate—and incidentally repudiating once and for all any intention of making Palestine a Jewish State—the British

* Cmd. 6019.

THE BRITISH GOVERNMENT'S PLAN

Government declare in the new White Paper that in order best to fulfil those terms they aim at the establishment within ten years of an independent Palestine State, in which Arabs and Jews will share in the government in such a way as to ensure that the essential interests of each community are safeguarded. This consummation will be preceded by a transitional period during which, while the British Government will retain responsibility for the government of the country, the people of Palestine, both Jews and Arabs, will be given an increasing part in it. Certain departments, and eventually all, will be placed in charge of Palestinians, with British advisers. Consideration will then be given to the question of converting the Executive Council into a Council of Ministers. No proposals are made at this stage for the establishment of an elective legislature, though this would be "an appropriate constitutional development". At the end of five years from the restoration of peace and order, a convention representative of the people of Palestine and of His Majesty's Government will consider how the transitional arrangements have worked and how the independent Palestine State may be constituted. During the transitional period, steps will also be taken to increase the powers and responsibilities of municipal corporations and local councils.

With regard to immigration, Jewish hopes have received a heavy blow. If, runs the White Paper, immigration is continued up to the economic absorptive capacity of the country, regardless of all other considerations, a fatal enmity between the two peoples will be perpetuated, and the situation in Palestine may become a permanent source of friction among the peoples of the Near and Middle East. His Majesty's Government have therefore decided that the time has come to adopt in principle the policy of permitting expansion of the National Home by immigration only if the Arabs are prepared to acquiesce in it. They do not propose that immigration should be stopped forthwith, but that, if economic capacity permits, some

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75,000 Jews shall be admitted over the next five years, a figure that would bring the Jewish population up to approximately one-third of the total population of the country. Thereafter, His Majesty's Government do not believe it will be their duty to facilitate further Jewish immigration regardless of Arab wishes. In certain areas, continues the White Paper, there is now no room for further transfers of Arab land, while in some other areas such transfers must be restricted if Arab cultivators are to maintain their existing standard of life and a considerable landless Arab population is not soon to be created. The High Commissioner, therefore, has been given for the transitional period general powers to prohibit and regulate transfers of land.

In this provision, and in the promise to increase the powers and responsibilities of local authorities, lie the only hints that some form of federalism may emerge from this plan, as the way in which the essential interests of each community shall be safeguarded in the independent Palestine State. Save for those hints, the Government would seem to have turned their backs, not only on partition, but indeed on any form of territorial demarcation. This would mean, bluntly, the certain ending of Jewish immigration after five years, the crystallisation of the National Home, and the condemnation of the Jews in Palestine to the status of a mere minority, possessing no self-governing institutions of its own of any real importance. It may not be too late to graft upon the Government's plan a federal scheme in which the control of land sales and immigration would eventually pass to elective provincial governments. The boundaries of the provinces might correspond, generally, with the several areas of unrestricted, restricted and prohibited land transfer now contemplated, indicating respectively a future Jewish province, a future mixed province in the north (and possibly another south of Beersheba in the Negeb), and a future wholly Arab province.

The Jews would thus enjoy the advantages of partition

THE BRITISH GOVERNMENT'S PLAN

without having to defend an indefensible frontier and without impairing the economic unity of the country. They would be free to go on building the National Home: if they allowed too much or too rapid immigration, they themselves would be the first to suffer. Similarly, the Arab province could continue an absolute ban on land sales and immigration. The northern "mixed" province, inhabited by both Jews and Arabs, might be retained for some time as a federal territory, governed directly from the centre. Land sales should probably be prohibited there; for what is available will be badly needed for the rapidly growing Arab population of Galilee. The Jews, however, are contemplating extensive reclamation work in that area and are prepared to set aside a reasonable proportion of all land reclaimed for Arab settlement. After a period of such experience it is difficult to believe that the Arabs there would refuse to join the Jews in working a provincial administration. Finally, there is the desert region in the extreme south known as the Negeb, which is empty save for a few bands of roving Bedouin. The prospects of agricultural development are slight. Out of sixteen wells which have been sunk, only one has revealed usable water. But the Jews are ready to try their fortune. Should they succeed in creating something out of virtually nothing, their enjoyment of it would hurt no one. This area, too, might be governed as a federal territory for a given period or until a certain minimum of population had accumulated.

But that is not the whole story. A complex situation has been further bedevilled by the most extensive *pogrom* that Europe has yet witnessed. Zionism became a menace to peace and roused the Palestinian Arabs to desperate resistance chiefly because, under pressure of an extreme emergency, the Zionist leaders tried to convert a National Home into an international reservoir for fugitive Jewry. If the flow of Jewish immigration into Palestine is to be reduced to a trickle, as seems inevitable, surely sound policy no less than humanity demands that the migratory

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stream be not dammed but diverted. Several possible areas have been mentioned, such as Dominica, Santo Domingo and British Honduras. The most hopeful is undoubtedly British Guiana, a country as large as Great Britain and almost empty beyond the low-lying coastal belt. The upland savannahs offer a temperate and healthy climate and a rich soil suitable for agriculture and cattle-breeding. An Anglo-American commission of inquiry has now reported with qualified optimism on the country's possibilities, recommending an immediate experiment with the group settlement of some 3,000 to 5,000 migrants. His Majesty's Government promptly announced their readiness to co-operate to the full in any such scheme upon which the refugee organisations might decide: lands would be leased on generous terms, administrative machinery provided, and aid given in the construction of arterial communications. If this experiment succeeds, the result will not be Zion; but in the fullness of time it may well become a self-governing, self-reliant Jewish nation.

DOCUMENTS: BRITISH PROMISES TO THE ARABS

I. EXTRACTS FROM THE CORRESPONDENCE BETWEEN SIR HENRY McMAHON, H.M. HIGH COMMISSIONER IN CAIRO, AND THE SHERIF HUSSEIN OF MECCA. Cmd. 5957.

No. 1. *From the Sherif of Mecca to Sir Henry McMahon, His Majesty's High Commissioner at Cairo.*

July 14, 1915.

WHEREAS the whole of the Arab nation without any exception have decided in these last years to live, and to accomplish their freedom, and grasp the reins of their administration both in theory and practice; and whereas they have found and felt that it is to the interest of the Government of Great Britain to support them and aid them to the attainment of their firm and lawful intentions. . . . And whereas it is to their (the Arabs') interest also to prefer the assistance of the Government of Great Britain in consideration of their geographical position and economic interests, and also of the attitude of the above-mentioned Government, which is known to both nations and therefore need not be emphasised;

For these reasons the Arab nation see fit to limit themselves, as

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time is short, to asking the Government of Great Britain, if it should think fit, for the approval, through her deputy or representative, of the following fundamental propositions, leaving out all things considered secondary in comparison with these, so that it may prepare all means necessary for attaining this noble purpose, until such time as it finds occasion for making the actual negotiations:—

Firstly.—England to acknowledge the independence of the Arab countries, bounded on the north by Mersina and Adana up to the 37° of latitude, on which degree fall Birijik, Urfa, Mardin, Midiat, Jezirat (Ibn 'Umar), Amadia, up to the border of Persia; on the east by the borders of Persia up to the Gulf of Basra; on the south by the Indian Ocean, with the exception of the position of Aden to remain as it is; on the west by the Red Sea, the Mediterranean Sea up to Mersina. England to approve of the proclamation of an Arab Khalifate of Islam. . . .

No. 2. *From Sir H. McMahon to the Sherif of Mecca.*

August 30, 1915.

WE have the honour to thank you for your frank expressions of the sincerity of your feeling towards England. We rejoice, moreover, that your Highness and your people are of one opinion—that Arab interests are English interests and English Arab. . . . With regard to the questions of limits and boundaries, it would appear to be premature to consume our time in discussing such details in the heat of war, and while, in many portions of them, the Turk is up to now in effective occupation. . . .

No. 3. *From the Sherif of Mecca to Sir H. McMahon.*

September 9, 1915.

. . . As the limits and boundaries demanded are not those of one person whom we should satisfy and with whom we should discuss them after the war is over, but our peoples have seen that the life of their new proposal is bound at least by these limits and their word is united on this:

Therefore, they have found it necessary first to discuss this point with the Power in whom they now have their confidence and trust as a final appeal, viz., the illustrious British Empire. . . .

No. 4. *From Sir H. McMahon to the Sherif of Mecca.*

October 24, 1915.

. . . I HAVE realised, however, from your last letter that you regard this question as one of vital and urgent importance. I have, therefore, lost no time in informing the Government of Great Britain of the contents of your letter, and it is with great pleasure that I communicate to you on their behalf the following statement, which I am confident you will receive with satisfaction:—

The two districts of Mersina and Alexandretta and portions of Syria lying to the west of the districts of Damascus, Homs, Hama

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and Aleppo cannot be said to be purely Arab, and should be excluded from the limits demanded.

With the above modification, and without prejudice to our existing treaties with Arab chiefs, we accept those limits.

As for those regions lying within those frontiers wherein Great Britain is free to act without detriment to the interests of her ally, France, I am empowered in the name of the Government of Great Britain to give the following assurances and make the following reply to your letter:—

(1) Subject to the above modifications, Great Britain is prepared to recognise and support the independence of the Arabs in all the regions within the limits demanded by the Sherif of Mecca.

(2) Great Britain will guarantee the Holy Places against all external aggression and will recognise their inviolability.

(3) When the situation admits, Great Britain will give to the Arabs her advice and will assist them to establish what may appear to be the most suitable forms of government in those various territories.

(4) On the other hand, it is understood that the Arabs have decided to seek the advice and guidance of Great Britain only, and that such European advisers and officials as may be required for the formation of a sound form of administration will be British.

(5) With regard to the *vilayets* of Bagdad and Basra, the Arabs will recognise that the established position and interests of Great Britain necessitate special administrative arrangements in order to secure these territories from foreign aggression, to promote the welfare of the local populations and to safeguard our mutual economic interests. . . .

No. 5. *From the Sherif of Mecca to Sir H. McMahon.*

November 5, 1915.

1. In order to facilitate an agreement . . . we renounce our insistence on the inclusion of the *vilayets* of Mersina and Adana in the Arab Kingdom. But the two *vilayets* of Aleppo and Beirut and their sea coasts are purely Arab *vilayets*, and there is no difference between a Moslem and a Christian Arab: they are both descendants of one forefather. . . .

No. 6. *From Sir H. McMahon to the Sherif of Mecca.*

December 14, 1915.

I AM gratified to observe that you agree to the exclusion of the districts of Mersina and Adana from boundaries of the Arab territories. . . . With regard to the *vilayets* of Aleppo and Beirut, the Government of Great Britain have fully understood and taken careful note of your observations, but, as the interests of our ally, France, are involved in them both, the question will require careful consideration

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and a further communication on the subject will be addressed to you in due course.

No. 7. *From the Sherif of Mecca to Sir H. McMahon.*

January 1, 1916.

As regards the northern parts and their coasts, we have already stated in our previous letter what were the utmost possible modifications, and all this was only done so to fulfil those aspirations whose attainment is desired by the will of the Blessed and Supreme God. It is this same feeling and desire which impelled us to avoid what may possibly injure the alliance of Great Britain and France and the agreement made between them during the present wars and calamities; yet we find it our duty that the eminent minister should be sure that, at the first opportunity after this war is finished, we shall ask you (what we avert our eyes from to-day) for what we now leave to France in Beirut and its coasts. . . . It is impossible to allow any derogation that gives France, or any other Power, a span of land in those regions.

II. EXTRACT FROM THE REPORT (DATED MARCH 16, 1939) OF A COMMITTEE SET UP TO CONSIDER THE ABOVE CORRESPONDENCE. Cmd. 5974.

Both the Arab and the United Kingdom representatives have tried (as they hope with success) to understand the point of view of the other party, but they have been unable to reach agreement upon an interpretation of the Correspondence, and they feel obliged to report to the conference accordingly.

The United Kingdom representatives have, however, informed the Arab representatives that the Arab contentions, as explained to the committee, regarding the interpretation of the Correspondence, and especially their contentions relating to the meaning of the phrase "portions of Syria lying to the west of the districts of Damascus, Hama, Homs and Aleppo", have greater force than has appeared hitherto.

Furthermore, the United Kingdom representatives have informed the Arab representatives that they agree that Palestine was included in the area claimed by the Sherif of Mecca in his letter of the 14th July, 1915, and that unless Palestine was excluded from that area later in the Correspondence it must be regarded as having been included in the area in which Great Britain was to recognise and support the independence of the Arabs. They maintain that on a proper construction of the Correspondence Palestine was in fact excluded. But they agree that the language in which its exclusion was expressed was not so specific and unmistakable as it was thought to be at the time. . . . [The report here refers to certain other statements made to Arab leaders during and after the war.] In the opinion of the Committee it is, however, evident from these statements that His Majesty's Government were not free to dispose of Palestine without regard for the wishes and interests of the inhabitants of Palestine, and that these statements

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must all be taken into account in any attempt to estimate the responsibilities which—upon any interpretation of the Correspondence—His Majesty's Government have incurred towards those inhabitants as a result of the Correspondence.

III. THE HOGARTH MESSAGE.

The following are the terms of the message which Commander Hogarth was instructed to deliver to King Hussein when he visited Jeddah in January 1918:—

"(1) The Entente Powers are determined that the Arab race shall be given full opportunity of once again forming a nation in the world. This can only be achieved by the Arabs themselves uniting, and Great Britain and her Allies will pursue a policy with this ultimate unity in view.

"(2) So far as Palestine is concerned we are determined that no people shall be subject to another, but

(a) in view of the fact that there are in Palestine shrines, Wakfs and Holy places, sacred in some cases to Moslems alone, to Jews alone, to Christians alone, and in others to two or all three, and inasmuch as these places are of interest to vast masses of people outside Palestine and Arabia, there must be a special régime to deal with these places approved of by the world.

(b) As regards the Mosque of Omar it shall be considered as a Moslem concern alone and shall not be subjected directly or indirectly to any non-Moslem authority.

"(3) Since the Jewish opinion of the world is in favour of a return of Jews to Palestine and inasmuch as this opinion must remain a constant factor, and further as His Majesty's Government view with favour the realisation of this aspiration, His Majesty's Government are determined that in so far as is compatible with the freedom of the existing population both economic and political, no obstacle should be put in the way of the realisation of this ideal.

"In this connexion the friendship of world Jewry to the Arab cause is equivalent to support in all States where Jews have a political influence. The leaders of the movement are determined to bring about the success of Zionism by friendship and co-operation with the Arabs, and such an offer is not one to be lightly thrown aside."

IV. THE DECLARATION TO THE SEVEN ARAB LEADERS (JUNE 1918).

His Majesty's Government have considered the memorial of the seven with the greatest care. . . .

The areas mentioned in the memorandum fall into four categories:—

1. Areas in Arabia which were free and independent before the outbreak of war;

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2. Areas emancipated from Turkish control by the action of the Arabs themselves during the present war;
3. Areas formerly under Ottoman dominion, occupied by the Allied forces during the present war;
4. Areas still under Turkish control.

In regard to the first two categories, His Majesty's Government recognise the complete and sovereign independence of the Arabs inhabiting these areas and support them in their struggle for freedom.

In regard to the areas occupied by Allied forces . . . it is the wish and desire of His Majesty's Government that the future government of these regions should be based upon the principle of the consent of the governed and this policy has and will continue to have the support of His Majesty's Government.

In regard to the areas mentioned in the fourth category, it is the wish and desire of His Majesty's Government that the oppressed peoples of these areas should obtain their freedom and independence and towards the achievement of this object His Majesty's Government continue to labour. . . .

V. THE ANGLO-FRENCH DECLARATION OF NOVEMBER 7, 1918.

The object aimed at by France and Great Britain in prosecuting in the East the War let loose by the ambition of Germany is the complete and definite emancipation of the peoples so long oppressed by the Turks and the establishment of national governments and administrations deriving their authority from the initiative and free choice of the indigenous populations.

In order to carry out these intentions France and Great Britain are at one in encouraging and assisting the establishment of indigenous governments and administrations in Syria and Mesopotamia, now liberated by the Allies, and in the territories the liberation of which they are engaged in securing and recognising these as soon as they are actually established.

Far from wishing to impose on the populations of these regions any particular institutions, they are only concerned to ensure by their support and by adequate assistance the regular working of governments and administrations freely chosen by the populations themselves. To secure impartial and equal justice for all, to facilitate the economic development of the country by inspiring and encouraging local initiative, to favour the diffusion of education, to put an end to dissensions that have too long been taken advantage of by Turkish policy, such is the policy which the two Allied Governments uphold in the liberated territories.

"UNION NOW"

I. THE ONLY WAY

ON the eve of the March crisis, Mr. Clarence Streit, the well-known American journalist, published in England a remarkable book, a book which everyone should read and ponder, *Union Now*.^{*} Though he could not have foreseen the occasion, he offered, for the disease of which those events were but a symptom, a truly heroic remedy. For in *Union Now* he urges that the democracies of the West—fifteen by his count—should immediately merge their sovereignties into a single State. Thus and only thus, he claims, can war be eliminated, peace set upon a sure footing and those conditions established under which the pressing economic problems of the world can be faced and solved.

Mr. Streit's case rests essentially upon the argument not merely that such an international merger *would* eliminate the war menace, but also that nothing else can. The alternatives that he considers are the method of conference and conciliation, the method of universal collective security, the method of regional pacts, the method of alliances and the method of isolationism, or each for himself. Mr. Streit contends, with all his experience at Geneva and elsewhere, to prove him right, that none of these will do. His showing-up of isolationism is addressed, of course, mainly to his own countrymen in the United States; for in crowded Europe or on its edge the doctrine of each-country-for-itself plainly offers no hope of refuge from the peril of war. Mr. Streit has only to point to the record of American laws, diplomacy, and armaments in the past half-dozen years to show the break-down of isolationism in practice

^{*} Jonathan Cape. 10s. 6d.

in the mightiest of all great Powers, the farthest removed from immediate threats of war. No nation, however strong—not even the whole British Commonwealth in concert—is able by itself to uphold its own rights for certain, and to live in such security that it can solve its economic problems and let its people consume the fruits of progress. Even if it suffers no aggression, it must be ever weighed down by armaments. It must remain prisoner of a world economic disorder which it can do little or nothing to remedy.

The method of non-resistance, with which Mr. Streit does not deal at length, may perhaps be held to be included in the method of conference. The direct attack on the use of force between nations, by way of a conference to limit the means of acting by force, has manifestly failed; "for both haves and have-nots preferred even the unlimited risks of war to the risk to their holdings or their dreams which they saw in disarmament". What, then, of the indirect attack on the use of force, by way of a conference to consider how adjustments that could otherwise be made only by war may be made by peaceful means? As Mr. Streit more than once points out, even if this method were to succeed, to the point of giving the so-called have-not Powers all that they now demand, we should be not one step nearer to permanent peace.

Even if all Germany's colonies were restored, and the Polish Corridor, Alsace-Lorraine and everything else, why should that decrease instead of increase the war danger? When Germany had all that in 1914, and Britain was trying to soothe her with half of Portugal's colonies, Germany was demanding only more imperiously than now "a place in the sun".

The subjection of Czechoslovakia and Albania rammed home this argument of Mr. Streit's. The ambition of the lawless States is plainly an appetite that grows by what it feeds on.

The method of all-round collective security, the method of the League Covenant, has had a devoted following in the

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English-speaking world, and Mr. Streit spends a great deal of effort in demolishing its claims. But the task is not half as difficult now as he might have found it a few years ago. For the actuality of aggression by great Powers has brought home to everyone two fundamental facts about collective security: first, that it implies a liability on each member-nation to go to war, not by its own free decision, but upon the occurring of events beyond its control and perhaps not otherwise likely to involve it in war; secondly, that it requires preparation for war with allies, war to be instantly joined according to prearranged plans such as alone will give assurance of unity in purpose and action. Because of the first fact, automatic and universal collective security clashes head-on with democratic free-will in a world of sovereign States. Because of the second, practical collective security clashes head-on with its own theoretical principles. For if there are to be plans for allied action in the event of a collective war, they must cover all the contingencies that might arise. The *reductio ad absurdum* of this is a schedule of permutations and combinations of possible aggressors among all the seventy-odd members and non-members of the League, with a corresponding schedule of alliances to be worked out in military terms.

But there is no need to carry the logic to this extreme. The regional (or otherwise limited) mutual-assistance pact reproduces the collective-security problem in miniature. The value of the Locarno pact of guarantee was immensely reduced, as the soldiers and sailors and airmen who would have had to carry it out always perceived, by the fact that its mutual character forbade them to make any plans for action. Only after Germany had violated the pact in 1936 could the staff conversations that were needed to make it a reality take place between Great Britain and France.

In brief, if collective security—universal or regional—is less than an alliance it is ineffective in deterring or defeating aggression; while if it becomes an alliance it ceases to be collective, in the sense of mutuality. It becomes merely a

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"defensive" camp arming and planning against an "offensive" camp.

Mr. Streit goes on to argue that in a grand alliance among the democratic Powers lies no hope of permanently banning war from the world. The alliance cannot be large enough and at the same time cohesive enough to present for ever an overwhelming threat of retribution to potential aggressors.

Though possible as a temporary stopgap an alliance, as a permanent organisation, has never been achieved and is practically impossible to achieve among as many as fifteen states. The fact that the states are democracies makes a permanent alliance among them not less but more impractical and inconceivable. For the more democratic a state is, then the more its government is dependent on public opinion and the more its people are loath to be entangled automatically in the wars of governments over which they have not even the control a league gives, and the more its foreign policy is subject to change. But the more all this is true of a state the harder it is either for it to enter an alliance or for its allies to trust it if it does.

Mr. Streit rightly lays stress on the inherent failing of democracy when combined with jealous national sovereignty. "The dictators are right", he says, "when they blame the democracies for the world's condition, but they are wrong when they blame it on democracy. The anarchy comes from the refusal of the democracies to renounce enough of their national sovereignty to let effective world law and order be set up."

The result has been that democracy itself has been slowly going under. Italy and Germany are to be regarded, in Mr. Streit's view, as early casualties. "They are not the source of the danger our whole species now faces, they are only its first victims." National sovereignty has already destroyed political freedom in many of the smaller and weaker nations, with but shallow traditions of democracy to draw upon. It is now taking toll in the great and well-founded democracies. Amid international anarchy, the state must be paramount, internally and externally, and as the state is glorified so freedom perishes. The very effort to defend our freedom by arms, alliances and preparations for war must needs make that freedom less.

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Recognising this, many people in the democratic countries have turned in hope once more to the method of the League to limit national sovereignty and stave off war. Here Mr. Streit brings to the aid of his theme an immensely powerful battery in the shape of American experience after the war of independence. At first, the thirteen states formed a "League of Friendship" in which each retained its sovereignty. By 1787, when the constitutional convention met at Philadelphia, the League was in chaos because it had no adequate central government or authority. Commerce was stagnant for want of security and confidence. Disputes over trade and territory were on the verge of setting the several states at war among themselves. "War with Spain threatened to break the League of Friendship into two camps. The League could not coerce its members. Threats of withdrawal from it were common." It was amid this disarray that Alexander Hamilton, with Madison and Jay, preached in the *Federalist* the gospel of union among the thirteen states, and conquered his opponents by the unanswerable logic of his theme. The strength and vigour that federal union gave to the thirteen American democracies are for all to see.

Not without reason Mr. Streit likens the Geneva League to that abortive League of Friendship, and its present breakdown to the chaos that faced the Philadelphia convention, though he admits that its failure has not been so complete as that of its American prototype.

The League's "internationalism" is often contrasted with pre-war nationalism as if it were at the other pole. It is really an extension of the same principle. The basic principle of the pre-war system was national sovereignty: its unit for making, enforcing, interpreting and revising agreement was the state, its equality was the equality of these units, its procedure required their unanimous consent and its highest aim was to keep each state sovereign. The drafters of the Covenant, far from rejecting this, sought to legalise and crystallise it all by converting it from the unwritten to the solemnly signed. They enthroned the pre-war principle in the League and contented themselves with patching the pre-war application of it.

THE ONLY WAY

No doubt that was inevitable. Mr. Streit himself admits that the method of league had to be tried and found wanting before the method of union could be seen to be necessary. The league method can neither make and revise law between nations, nor interpret and enforce it. The league method cannot prevent war, because it cannot do justice when justice conflicts with sovereignty, and because it leaves war as the ultimate instrument of international policy. It cannot bring about disarmament because it depends on the national armaments of its subscribing members, and bids them fend for themselves until the aid of the league can be organised and brought to their succour. It cannot solve world economic problems, any more than it can solve world political problems, because it leaves national sovereignty intact. This is Mr. Streit's diagnosis, and his cure is the cure that Hamilton urged upon the people of the disunited states—federal union.

There is indeed no other cure. If Mr. Streit has done nothing else, he has directed men's minds to the fundamental need in world politics at a time when they are all too likely to be distracted by the immediate and superficial needs. Civilisation, as he points out, has worked miracles in enslaving nature, but has done little or nothing towards freeing itself from the slavery of its own disorders. In the political sphere it is shackled by national sovereignty; and the only way of breaking national sovereignty is to build a unit wider than the nation, a unit which will eventually embrace the whole world. In *The Commonwealth of God* Mr. Lionel Curtis showed how history and religion pointed down that same path. It is one of the great merits of Mr. Streit's book that he translates the general theme into a concrete plan, which he presents, not for the indefinite hereafter, but for our own generation, *now*. His courage will expose him to many critics, who will seize upon faulty details of his draft constitution as proof that the whole idea is impracticable. But the constitutional details are entirely unimportant at this stage: it will be time enough to tackle

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them if and when a constitutional convention for Union is summoned. What precise form Union might take it is impossible to foresee. Its construction will need the combined political wisdom and experience of the civilised world—not only the experience of the United States, on which Mr. Streit draws too exclusively for his model, but also that of the British Commonwealth, the Swiss cantonal system and other forms of political architecture. Maybe an altogether new type of governmental apparatus will have to be invented. The essential need at the moment is that world opinion should be brought to see that without some form of Union our civilisation is doomed to frustration on the political plane; and to see, moreover, that Union is a practical idea, as practical an idea as television was a generation ago.

Mr. Streit's concrete proposal, with all its defects, throws the whole concept from the dream-clouds into the arena of practical argument. If people get to the point of contending that Union will not work like *this*, they are not far from believing that it will work like *that*. It is in this spirit that THE ROUND TABLE adds some comments upon Mr. Streit's proposal.

II. THE MEMBERSHIP OF UNION

THE plan is that the countries entering the Union should hand over to federal authority without reserve certain of their sovereign powers, including in the economic field the regulation of tariffs, currency and immigration, and in the political field the raising of armed forces, the conduct of diplomacy and the making of treaties, and the decision upon peace and war. In his proposed Union Mr. Streit includes the United States and the six fully self-governing nations of the British Commonwealth, four Scandinavian countries, France, the Low Countries and Switzerland. Why these? Though they are scattered over the globe, they are geographically united by the fact that all of them

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(with the exception of Switzerland, which there are obvious reasons for including) are maritime Powers which have sought their destiny on the high seas; with three exceptions they all have coasts upon the great open oceans, including therewith the North Sea. Not only have they the means of coming to each other's assistance; they look upon world affairs with the same eyes. "A government that bases itself on a continent or sea limits its possibilities of expansion, but a government that is based on the ocean is headed straight toward universality." It is plainly necessary, too, that all the members of a democratic union should themselves be democracies. The test of democracy, however, is not the universal franchise or any particular set of elective institutions, but the question whether there exists freedom of utterance, equality of all before the law, and some means of letting the popular will, freely expressed, control the national policy.

This question of the initial membership is of very great importance, not only because it would determine the character of the Union from thenceforth, but also because vested interests would instantly arise, both within and beyond its borders, against the inclusion of new members. Moreover, the excluded countries might move into other camps. Discussing the various alternative lists of initial membership—for instance the English-speaking nations only—Mr. Streit uses these words:

Among the grave defects of a single language are these: it gives the nucleus an offensive air of exclusivity. It tends to falsify and limit the basic democratic principles of equality and freedom, to alarm the old and powerful democracies it excludes, and to encourage hostile combinations.

This is very true, but surely none the less true of a single colour or race than of a single language (though admittedly none of the non-white nations is yet very old or very powerful as a democracy). Although British India is not yet a sovereign nation, nor has she democratic control over foreign policy, defence and certain other matters, yet

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she ought to be considered as a possible founder-member of Union, in which, indeed, no member would control its own separate foreign policy or defence. Alternatively India, with any other British country approaching self government, might retain the same relations with the Union as she now possesses with the British Empire. If it started with any taint of racial or colour exclusiveness, the Union—as the greatest imperialism ever known—might be bitterly suspect among the rising peoples of Africa and Asia.

In facing the problem of India, Mr. Streit is frankly baffled by the difficulty of including a nation of 400 million people on the basis of equal votes for all citizens in the federal elections. But the problem would be solved in practice by the backwardness of the Indian masses, since a simple test of literacy (such as any civilised union might be expected to impose) would exclude the great majority of the 400 millions. Nor is there any reason to suppose that if India formed part of a federal union her votes would all go one way.

There is another problem, of equal importance, in connection with the membership of the Union. Its nature excludes from it all the totalitarian States, so long as they remain totalitarian. Put forward at this moment, the proposal is liable to be taken as a mere plan to frustrate any attempt by the dictators to pursue their ambitions in Europe and elsewhere. One of Mr. Streit's most forcibly pressed arguments, indeed, is that Union would replace the precarious balance of power by a durable "unbalance of power", in which the democracies would have an assured preponderance over the countries of the Triangle. But he also makes plain that it is not the permanent nature of Union to be ranked against anybody. Its membership, as Mr. Streit urges, should be open to all countries fitted for it by their character and constitution. The prosperity, freedom, safety and happiness of its citizens might well prove an inspiration to the citizens of totalitarian States to throw off the chains of dictatorship and militarism.

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In the meantime, however, the project of Union has to be judged in face of a situation of the utmost danger, in which the majority of its potential members are abused, envied and threatened by certain of the countries that would be excluded. The retort at present devised to those threats is something very different from democratic Union. Not only is it a much less close combination of States, by way of alliance or defensive guarantee; it is furthermore a combination of democracies with non-democratic States. The greatest of these anti-aggressive dictatorships is of course Soviet Russia, but there are others too: Poland, Greece, Rumania, Turkey, to name only those which Britain has recently undertaken to defend. It is an open question whether a democratic Union in which the preponderant weight was non-European would wish to pledge itself to defend dictatorships in Europe. Looked upon in the light of to-day's strategic needs, the project of Union is an offer, coming from the only quarter from which such an offer could reasonably come, to replace a certain non-ideological camp by an ideological merger—in a word, to make up for a possible weakening of the present "peace front" by casting America into the balance. The time-table of urgencies, from which we cannot escape, compels us to look at the project in this way, and it passes muster. Nevertheless, the real problem in international affairs, which Union is designed to solve, is not how to defeat aggression, but how to prevent anarchy.

III. THE SUICIDE OF SOVEREIGNTY

LIKEWISE, on the economic plane, the aim of Union is not simply to reduce unemployment or increase profits or raise wages, but to end that international anarchy under which economic problems that are inherently world-wide can be tackled by no one, since no one has the power to decide upon and carry out the necessary solutions. Too often, national attempts to solve them mean beggar-my-

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neighbour, and make the basic problem worse. Union by itself would not cure unemployment, which could as readily continue under a régime of free trade between the Union's members as it can under a régime of national protection. Neither the size nor the internal security of the huge area of free trade and mobile capital and labour in the United States has saved that country from worse unemployment than much smaller economies. What Union could do—what Union alone could do—is to remove or greatly to reduce certain obstacles to a deep-going attempt to tackle unemployment and kindred problems—obstacles like the uncontrollable ebb and flow of "hot money" from capital to capital, the weakness of business confidence in face of the threat of war, or the existence of artificial barriers to the international movement of labour and long-term capital.

Mr. Streit indeed does his theme no service by claiming too much for it, as occasionally he tends to do in the economic sphere. Union can come about only as a result of frankly facing difficulties, the greatest of which are the "vested interests" of the present scheme of things that would suffer by the breaking down of centuries-old ring-fences built round national economic and political systems. Vested interests are not always bloated and evil, and their unregulated overthrow may cause more trouble and distress than their perpetuation. For example, the old-established industrial areas of Great Britain, founded on shipping and export industries, had a vested interest in liberal world trade and particularly in British free trade: the overthrow of that traditional system produced the distressed areas. Similarly, distressed areas in other zones might be produced by the overthrow of the existing system of national tariffs among the prospective members of the Union, unless that action were accompanied by a constructive plan for softening the blow and transferring labour and capital from the old industries to new ones. It is not too soon to be mapping out the broad nature of such

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a plan, which might well include a gradual transition to free trade over a long period of years; for, if no antidote to dislocation is worked out and adopted, Union may fail for reasons much smaller in themselves than those which make it the only ultimate issue from our present afflictions.

The lesson of twenty years since the world war is that a complex of unmitigated national sovereignties is inherently unstable. That was always so, indeed, but modern science has made the consequences far more terrible than ever, and modern means of communication have meant that a disturbance anywhere, instead of sending but a faint tremor beyond its immediate quarter, may shatter the whole fabric. This inherent instability of the system of sovereign States is not unlike the inherent instability that Karl Marx attributed to the capitalist system. What he failed to foresee was that national sentiment would quite outweigh class interest in the motivation of the mass mind. The bulk of the German wage-earners, looking out upon the world at large, think as Germans, national citizens, not as "workers of the world"; and the same is true of British, American, French, perhaps even Russian workers. Having diagnosed the collapse of capitalism as inevitable, Marx prescribed the world revolution as necessary. If we now diagnose the inevitable collapse of the system of unmitigated national sovereignties, through its inherent tendency to war and self-destruction, what of the method whereby that end may be brought about? It will surely come in one or other of two ways: totalitarian empire, or democratic union. The first corresponds to the Marxian world revolution—the surgery of violence, followed by the dictatorship of a section. The second corresponds to the democratic socialisation which since Marx's day has indefinitely postponed the revolution in the west by combining greater wealth all round with a fairer distribution of community income.

What we have been seeing in Europe and Asia since 1931 has been the method of empire warring against national

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sovereignty. By its energy it has forestalled the rival method of union. To many minds the imperialist method is an attractive one, and the peoples may be driven to accept it unless they have the courage to demand the alternative. But imperialism in its turn is inherently unstable; for it cannot retain for ever the strength and will-power to repress minorities; they will eventually reassert their national sovereignties, either by revolt and war (as in the breakdown of the Austro-Hungarian Empire), or else by peaceful devolution (as in the life-story of the British Commonwealth), thus restoring the ancient anarchy. Hence an irresistible logic points to democratic union, not as a mere figment of theory, but as in the end the only practical way out. The vital issue at the moment is not whether Union should have this or that constitutional shape, or this or that economic policy, but a far more general question: how long will the peoples of the western world endure the present order of things? How much more war and suffering are to be gone through before the dream becomes a fact? Union is not practical now, if by "now" we imply the immediate calling of a constitutional convention and the entering into force of its product within a few years; but it is practical now, if by "now" we mean that men and women all over the world can to-day begin training their thoughts to the belief that in some form Union must come, and to the pursuit of the best and surest means of bringing it to birth.

GERMANY'S EASTERN NEIGHBOURS

I. GREAT POWERS AND SMALL

THE present enduring international crisis appears to different nations in different lights. For Great Britain (and for the United States), it is caused by the need to resist an attempt to dominate the world by force: for Germany, the root lies in a greedy encirclement designed to restrict that country's *Lebensraum*. For a large section of British opinion, it involves an ideological struggle—a stand for freedom against "fascism". For the inspired totalitarian organs of opinion it implies a democratic conspiracy against the "Dynamic Powers", or "Young Nations". But, for the countries involved as potential victims or allies in a possible struggle between the great Powers, the issue presents itself realistically. Wherever their sympathies may lie, their political problem is how to safeguard their bare existence as sovereign national States. Those most intimately involved are Poland, Rumania, Yugoslavia, Hungary and incidentally Slovakia; that is to say, Germany's immediate neighbours and the immediate neighbour of Germany's third ally, Hungary. The attitude of Bulgaria and the other countries of the Balkan Entente has not yet had to be defined to the same extent as that of the countries commonly accepted as "threatened".

All these countries, between the crisis of September 1938 and the recent change in British foreign policy, tried to do little more than avoid complications. They seemed to hope that by adopting a neutral attitude and making no public declarations susceptible of being interpreted by the "Dynamic Powers" as irritating, provocative, or displaying

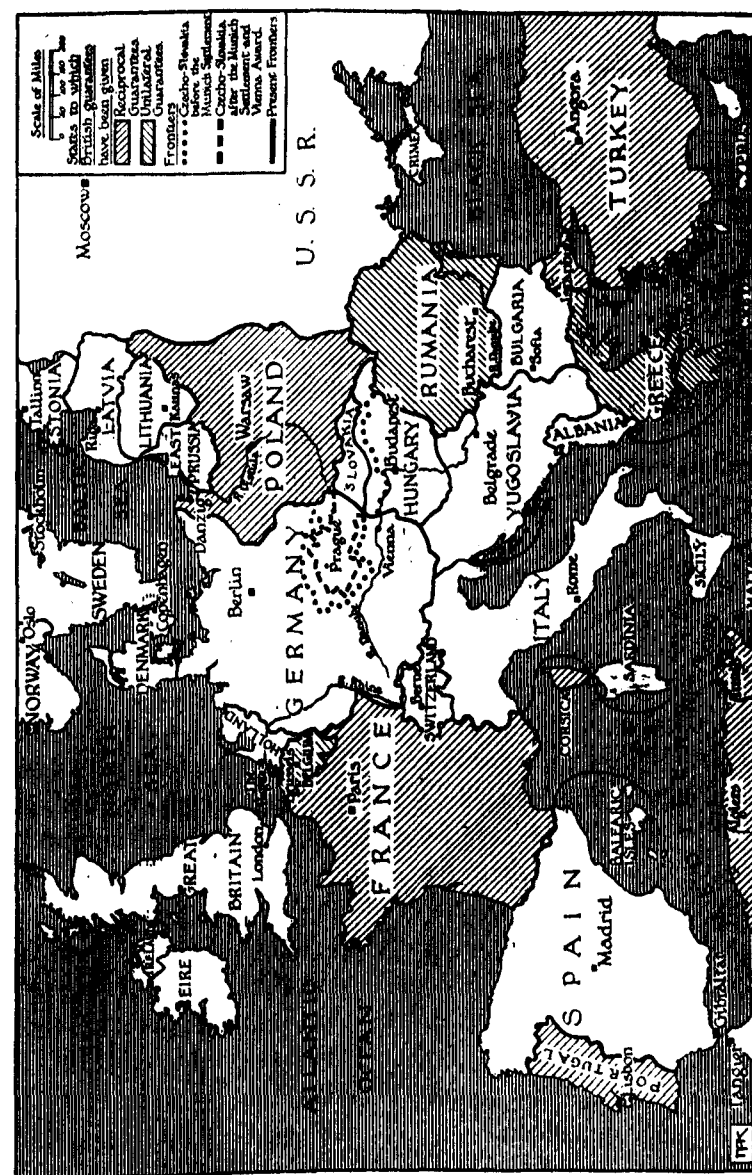
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too much affection for the western Powers, they might escape the wrath to come and not fall victims to the expansionist aims of the Axis. Some clearly hoped even to profit economically by those aims.

II. POLAND

THE crisis of September 1938 found Poland still pursuing a policy of understanding with Germany, while keeping good relations with Soviet Russia. On the constructive side, her policy appeared to aim at the establishment of a sort of *cordon sanitaire* of neutral States reaching from the Baltic to the Black Sea—consisting therefore of Poland, Hungary and Rumania, with the possible adhesion of the Baltic States. At the peak of the crisis, her one aim seemed to be to profit by the difficulties of Czechoslovakia: pursuing this aim, she took possession of the Teschen and Karwin mining districts in Moravian Silesia, as well as the important railway centre of Bohumin or Oderberg. Nobody could say that she had much ethical claim to the districts, which contain, apart from Czechs and Poles, some German minorities.

The crisis once over, however, Poland found herself faced with a new problem threatening her political integrity. Slovakia, and with it Sub-Carpathian Russia, had come under German domination. Sub-Carpathian Russia had for years been considered the breeding-place of Ukrainian propaganda, and the focal point of intrigue on behalf of a future Ukrainian State which would include south-eastern Poland as well as the Russian Ukraine. There were plenty of symptoms to show that the idea of creating such a State had German approval, to say the least; and it was freely alleged that this might be the next step in German expansion eastwards. German money and German agents were reported to be at work in Sub-Carpathian Russia; the Hetman Skoropadsky, whom the Germans had instated as ruler of Ukraine after the treaty of Brest-Litovsk, was still



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living in Berlin; the Vienna radio transmitter, together with those acquired by the Germans in the ceded areas of Czechoslovakia, took to broadcasting propaganda in support of Ukrainian autonomy. The almost immediate result of this was that the Ukrainian party tabled an Autonomy Bill in the Sejm, the Polish Parliament. It is small wonder that Poland began to raise her voice in support of Hungary's claims to Sub-Carpathian Russia, which she had lost by the treaty of Trianon in 1919. Both in Hungary and in Poland, an almost mystical value was attached to the achievement of the common frontier between "brother peoples".

More important than this, however, as an effect of Germany's stronger position and her obvious desire for expansion, was the renewal of Poland's non-aggression pact of 1932 with Soviet Russia, and the attainment of a new, if rather informal, "friendly agreement" of the two countries to live together as good neighbours. On Soviet Russia's side, this was probably inspired as much by her own dislike of the idea of a German-sponsored Ukraine as by Polish fears. On Poland's side, it was a revolutionary turn of policy, considering that, shortly before the September crisis, there had been well-authenticated rumours, mostly from German sources, of her possible adhesion to the Anti-Comintern Pact.

That was in November 1938. In March 1939 the Ukrainian bugbear was suddenly scotched by Germany's own policy. With Germany's consent, Hungary took possession of Sub-Carpathian Russia, and, amid much official rejoicing, established the common frontier between the "brother-nations" of Magyar and Pole. The world, which saw little humorous in the happenings of those days, could at any rate chuckle at the picture of German-subsidised Ukrainian "nationalist guards" being engaged in battle by the allies of Germany.

Meanwhile, a campaign of growing intensity had been developed in the German press denouncing the Polish

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treatment of Germans in Poland and alleging incidents of Polish oppression. This campaign became louder still after the German occupation of Memel. The situation appeared really dangerous when reports appeared of German troop movements on the Polish frontier. The Polish Government took the precaution of mobilising a number of men, and of moving troops to their positions in the west. At the same time, it left the Polish public in not the slightest doubt that their country was threatened, and there began a nation-wide movement towards unity and co-operation in the cause of national defence. Party differences were sunk to an extent extraordinary in Poland's post-war history. M. Witos, the Peasant party leader, returned from exile and suffered only a nominal term of imprisonment. Ukrainians and even Germans were reported as having subscribed to the national defence loan. At the height of the crisis came the British guarantee to Poland, and immediately afterwards, in spite of German threats, Colonel Beck paid his historic visit to London and concluded the Anglo-Polish agreement.*

The result, of course, was fresh outbursts in the German press, both against Poland and against the "encirclement" policy that Germany regarded as implied in the agreement. Then came Herr Hitler's denunciation of the German-Polish agreement of 1934. The effect of both the Anglo-Polish agreement and the German attitude towards Poland was amply conveyed by Colonel Beck's famous speech to the Sejm on May 5. One thing is particularly worth noting in that speech—the absence of any reference to the Soviet Government or to the possibility of extending the system of guarantees against aggression to include the U.S.S.R. It was natural, indeed, that Poland should hesitate to go into the matter on the day after M. Litvinoff had been dismissed. M. Litvinoff was the Foreign Commissar under whom the non-aggression agreement of 1932 had been negotiated,

* For the terms of the guarantee and the subsequent mutual agreement, see below, pp. 604-5.

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d friendly relations renewed in November 1938. The distrust of Soviet Russia and of communism that prevails in Poland is deep-rooted and tenacious. For Poland there are very grave implications in the suggestion of an agreement envisaging military help to her from Soviet Russia.

In addition, there has always been at the back of Polish minds the fear, dating back to the treaty of Rapallo and the contacts maintained by the German and Russian general staffs, of possible German-Russian co-operation against Poland. Superficially, the slowness of the progress towards Poland's acceptance of Soviet help may look like Polish suicide; but to observers on the spot even the speed attained has been a matter for surprise, so great are the historic and psychological obstacles to be overcome.

On the whole, of all the European countries affected by the recent British change of policy, Poland is the one that has most radically transformed her own policy in the past few months, and that has been most responsive to the British guarantee. She has openly taken up a position of assistance to German threats and of association with Great Britain and France. There are two main reasons for this. One is that Poland feels that she is probably the next on the list and the most immediate victim of Herr Hitler's wrath. The Danzig and Corridor questions, which Germany had allowed to slumber quietly since 1934, have come very vigorously to life, and at the moment form the acutest problem in European politics. But the chief ground for Poland's new attitude is that she feels herself strong enough to adopt it. Her size, her pride in her army, and her belief in her own powers of united resistance, make her the one country left in eastern Europe that is strategically and politically capable of standing out against Germany.

III. RUMANIA

UP to the crisis of September 1938, Rumania, as a member of the Little Entente, was definitely associated with the western Powers through the French system of

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alliances. That crisis dissolved the Little Entente, and Rumania found herself in a position where only a "neutral" attitude promised any security.

Internally, she was none too stable. She had not yet completed the first year of a new régime consisting of a royal dictatorship aided by martial law, and implying a thorough reconstruction of her administrative machinery (which not even her friends would have claimed was anything better than rotten), and the suppression or conversion of the old political parties. The most important of these parties were the Iron Guard, a fascist revolutionary body led by the exalted fanatic Codreanu, and the National Peasants, who possessed substantial support in the country, although, thanks to the peculiarities of the Rumanian elections, they had of recent years held but a small number of seats in parliament. In the effort to create a substitute for these parties that might attract the loyalties of the people, the Government propagated a Front of the National Renaissance. Membership of this party was obligatory, or virtually so, yet it has not made much progress. It is something of a joke in responsible circles; and it contains a certain proportion of irreconcilable Iron Guards whom everyone supposes to be biding their time, though they are "under observation" by the Front itself.

Whatever the stability of this régime, it was, to begin with, ideologically of a kind to attract the approval of Germany. German and Italian propaganda, moreover, was active in the country, and the Axis countries were clearly spending considerable sums of money there. The public declarations of King Carol's Ministers were as non-committal as might be. A large proportion of the officers of the army, who are a permanently under-paid and discontented class, loaded with the extra financial burden of more uniforms than seem necessary to members of the defence forces of western countries, were reported to be strongly sympathetic towards Germany, and some of them to have contact with the fascist Iron Guard.

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The Iron Guard leader, Codreanu, was despatched a few days after King Carol had returned from a visit to London and, on the return journey, to Berlin. As regards internal politics, this show of force is reported on the one hand to have broken the revolutionary ardour of the Iron Guard on the other hand, to have driven what was left of it into permanent underground opposition. As regards the foreign political results, the deed led to a violent German press campaign directed against the person of King Carol.

There was, however, up to March 1939, no apparent direct threat to the political integrity of the country Rumania, apart from trying to avoid trouble in public pronouncements, pursued a policy in harmony with that apparently aimed at by Poland, that is to say, the establishment of a *cordon sanitaire* of neutral States. This, however, is not as easy as it sounds. Rumania possesses, in Transylvania, territory that is the object of Hungarian revisionist claims; in the Dobrudja, areas claimed by Bulgaria; and in her north-eastern province of Bessarabia, between the rivers Prut and Dniester, an area which, though the subject of an implied agreement between Rumania and Soviet Russia, might come into the market again at any moment as Russian *terra irredenta*—or so Rumanian opinion generally believes. There are at present no signs of its doing so. But the province is largely Russian, and the question looms in the background as one of the great obstacles to Rumanian approval of an anti-aggression system that would bring in Soviet Russia as a guarantor Power, and therefore presumably authorise her to send military forces into Rumanian territory.

Rumania built hopes on the possibility of inducing Bulgaria to become a member of the Balkan Entente. In this connection, the encouraging communiqué issued after the March meeting of the Balkan Entente in Bucharest has some importance. It has, however, been cancelled out by a statement of Bulgaria's revisionist claims, made in the Bulgarian Parliament on April 20 by M. Kiosseivanoff

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He is reported as having laid claim to the Dobrudja and an outlet to the Aegean, but no more. This means that all the weight of Bulgaria's claim falls on Rumania and Greece: Yugoslavia, who possesses Bulgarian *terra irredenta* in Macedonia, is acquitted. This question obviously creates great difficulties in connection with the British guarantee of Rumania, though the later British agreement with Turkey encourages the hope, not only that the question will not provoke a crisis, but even that it may be permanently solved.

The threat to Rumania that called forth the British guarantee took the form of Hungarian troop movements, accompanied by the usual crop of alarmist rumours, which are used so ably by German propaganda in the pursuit of Germany's aims. Rumania mobilised, and in that position of tension she concluded the notorious trade treaty with Germany. This treaty was hailed in the British press as having made of Rumania an Axis Power. In point of fact, it did not go so far, and the extension of the British guarantee to Rumania established fairly clearly that Rumania could not be considered as directly associated with the Axis, though she is still hopeful of being able to make the best of both worlds. The Anglo-Rumanian trade agreement of May 11, too, has a political significance, in addition to the economic aid that it brings to the country. The guaranteed purchase of Rumanian wheat, in particular, goes some way to offset the political effect of the German agreement.

Rumania's position is rather difficult to define. The British guarantee is designed to preserve her from aggression. Aggression could come on the score of Transylvania, which the Hungarians want, or of the Dobrudja, which Bulgaria demands. Another form of aggression might indeed be German, aimed at the possession of Rumania's oil supplies. Such aggression would surely take place only if Germany were already carrying on a war elsewhere and needed more supplies than Rumania was willing to sell to

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her under diplomatic pressure from the German side and counter-pressure from the western Powers.

In peace time, Rumania is, indeed, diplomatically reinforced by the guarantee. In the event of war, however, the effective military implementing of the guarantee by a British expeditionary force is not easy to conceive—especially since the conclusion of a military accord between Germany and Italy. The Rumanian army being in its present state, mere military pressure on the western front would not be enough to prevent an almost immediate military defeat of Rumania by Germany. To a great extent, the military position of Rumania as a guaranteed Power would depend on the adherence of Soviet Russia to the system of guarantee. In spite of the problem of Bessarabia, and in spite of the poor means of transport, there is little doubt that Russian military help would be accepted in a crisis in which Rumania found herself threatened by Germany.

In the event of a war not involving Rumania immediately, such as a war over Poland, there would be considerable advantage to Germany in regarding Rumania as neutral—provided that Germany was satisfied with such supplies of oil and other material as Rumania was willing, or under diplomatic pressure was forced, to send to feed the German war machine. If Germany considered herself not adequately supplied, she would presumably undertake the occupation of Rumania. This could be effected all the more easily by involving Hungary, who has large and dissatisfied minorities in Rumania; by utilising such Germanophile elements among the Rumanians themselves as the Iron Guard; and by stirring up the important German minorities in Rumania, who have been there for centuries, but who have nevertheless been organised by the Nazi régime to do the bidding of their Fatherland.

HUNGARY

IV. HUNGARY

HUNGARY, though a State of Germanophile leanings both by her traditions and by temperament, is now closely associated with Germany. She is a signatory of the Anti-Comintern Pact, and, under German and Italian pressure, has recently performed the gesture of leaving the League of Nations. She is a revisionist Power, who has had everything to gain by securing the support of Germany. She has thereby obtained the return of the principal Magyar-inhabited districts of the former northern Hungary, and she has also recovered the whole of Ruthenia, or Sub-Carpathian Russia. Her other revisionist claims extend to the Burgenland, which is now part of the Greater German Reich, and therefore may be excluded as well and truly lost; Transylvania, which has been discussed above; and the fringe of Yugoslavia. On paper she also has a claim to more of Slovakia; the districts that she might claim, however, though riddled with Hungarian sentimental traditions, contain important German minorities, and Hungarian statesmen at heart are none too keen on laying claim to them.

Internally, Hungary is beset by parties of the extreme Right with creeds resembling that of the Nazi party in Germany; she has important German minorities in her own territory, to which she has recently had to make concessions; she has been presented with a number of very ticklish problems in northern Hungary, where the transfer from Czechoslovakian to Hungarian sovereignty has caused a certain amount of economic distress; she is in the throes of legislation leading towards an agrarian reform; and she has just passed anti-Semitic laws which do not really receive the approval of the nation.

Hungary is valuable to Germany as a producer of agrarian products. She is, indeed, largely bound to Germany in this respect; and she has been under pressure to conclude with the Reich an agreement based on

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long-term contracts for her grain and cattle exports. Her latest pronouncement on her biggest revisionist claim, that of Transylvania, is full of sweet reasonableness: though not exactly renouncing her claim, she has proclaimed her willingness to come to terms with Rumania on the basis of minority guarantees. This statement was made by Count Csáky on his return, with the Prime Minister, Count Teleki, from consultations in Rome and Berlin: it is difficult not to assume that the conciliatory attitude was the outcome of those consultations. It is true that it corresponds temporarily with the wishes of those in command in Hungary, who have quite enough to do in assimilating their recent acquisitions without embarking just yet on fresh demands. Hungary, however, is militarily weak, and incapable of acting independently of Germany or Italy; it is undoubtedly to Germany's advantage that Hungary for the moment should make no claim on Rumania. In her relations with Yugoslavia, Hungary's attitude has been largely determined by Italian initiative.

V. YUGOSLAVIA

PERHAPS the main principle of Yugoslavia's policy can be summed up in the phrase, "the Balkans for the Balkan peoples". The first step towards the realisation of that idea was the formation of the Balkan Entente: the next, the solution of the Macedonian question, which had caused so much blood to flow, by means of the pact of 1937 with Bulgaria. Since that pact, either by direct negotiation or through the mediation of Turkey, efforts have been repeatedly made to include Bulgaria in the Balkan Entente. Although Bulgaria is prevented from adhering by her revisionist claims, by the pact of Salonika she was liberated from the disarmament clauses of the treaty of Neuilly, and in return agreed that she and the Balkan Entente countries would "assume the obligation to abstain in their mutual relations from any recourse to

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force". After the crisis of September 1938, and the collapse of the French system of alliances, this "Balkans for the Balkan peoples" policy had the virtue of implying for Yugoslavia an assured neutrality, and not necessitating any *prise de position* for or against the totalitarian States, or, for that matter, for or against the western democracies.

The second principle of Yugoslavia's policy is embodied in the friendship pact of 1937 with Italy. This was a revolutionary document when it was signed; for the population of Yugoslavia heartily detested everything Italian, and the bad feeling created by Italian claims to Dalmatia after the war had never evaporated. The pact assumed even greater importance after the *Anschluss* and the arrival of Germany on the frontier of Slovenia. In the light of the reported German drive to the Adriatic, the preservation of good Yugoslav-Italian relations was assumed to have some virtue in helping to play off Italy against Germany, to the advantage of Yugoslavia. The improvement of relations with Italy went so far that on Italian initiative Hungary was induced virtually to abandon revisionist claims on Yugoslavia—and this in spite of the fact that for years Italy had been the sponsor of Hungarian revisionist claims in general. It seems, indeed, that Italy has not pursued a policy completely subservient to Germany in this part of the world; during the recent visit of M. Markovitch to Venice, it was reported that Italy was urging the idea of a Yugoslav-Hungarian pact of friendship.

A motive that undoubtedly plays an important part in determining Yugoslavia's policy, though there is little information about it, is her purely military position. Although the human material at her disposal—Serbs, Croats, Bosnians, Montenegrins and Macedonians—is acknowledged to be of first-class quality, the equipment of the army is reported to be not up to the standard required by modern conditions, either in quantity or in quality.

Nor may we ignore the influence of Yugoslavia's international relations of the German economic penetration,

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quite apart from its military significance. Germany now accounts for fifty per cent. of Yugoslavia's imports and exports. The French and British predominance in capital investment in the country is already seriously threatened if not surpassed, by the stake of Greater Germany, which appears eager to negotiate more and more credits. The credits, moreover, are directed to the financing of important enterprises of significance in war time, such as iron works and explosive factories, and to the purchase of military material from Germany or from the newly acquired Skoda works. It is inevitable that Yugoslavia should thereby become, if not more attracted to, at least more dependent on Greater Germany.

There is little doubt that this orientation does not correspond to the wishes of a great part of the population. On the one hand, there is a deep-rooted dislike and distrust of Italy: on the other hand, there is in the country a strong sympathy for France, dating principally from the war, and a popular belief in the virtues of democracy inspired by this association with France. In the same way there is a traditional hostility towards Germany. The politically conscious sections of the population express a general determination to defend their war-won independence against all comers.

This feeling, in spite of German propaganda seeking to intensify divisions between Serbs and Croats, may be strong enough to settle this long-standing squabble. Conversations have been going on for some time now between the Prime Minister, M. Tsvetkovitch, and the leader of the Croats, M. Machek. The effort has undoubtedly received a fillip from the Italian occupation of Albania, which represents a potential threat to Yugoslav security. There seems to be real goodwill on both sides.

The effect of these various influences on Yugoslavia's foreign policy is illustrated by the fact that during the spring crisis, when Rumania mobilised, Yugoslavia did nothing; even at the time of the Italian occupation of

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Albania, Yugoslavia only took some belated local measures of precaution. Her political association with the Axis Powers is principally with Italy, and her economic association principally with Germany; she is dependent on the two partners to a certain extent both for her political security and for her economic prosperity. So far, her Government has refrained from taking the undoubtedly unpopular step of making any open declaration of adherence to the Axis.

VI. SLOVAKIA

THE rump State of Slovakia is a pure vassal of Germany. The mass of Slovaks are being governed by an energetic minority with little contact with the feeling of the people. German influence in the Government is predominant; the only dissident member, M. Sidor, who had pro-Polish leanings, was soon forced from office. The economic effects of Slovakia's new situation are incalculable. She may represent unexploited mineral resources lying ready for German enterprise; but she received heavy subsidies from the Czechs, and in order to maintain her standard of living will presumably require subsidies from Germany. She has, however, played an important rôle in enabling Germany to rectify a military frontier, with the result that Germany now possesses a naturally defensible line from the south of the Burgenland, north-north-east across the Neusiedlersee, along the Little Carpathians and the White Carpathians to the Polish frontier. Strategically, therefore, Slovakia is no-man's-land.

An exposition such as this does not demand conclusions. These are the European countries at present most intimately concerned in the interplay of great-Power politics; and these are the elements in their situations that will go to determine their own reactions to diplomacy or war.

THE FUTURE OF THE INDIAN STATES

(By a Special Correspondent in India.)

I. GREAT KINGS AND PETTY CHIEFTAINS

THE Indian states to-day face a crisis in their history. Upon its outcome probably depends, not only the introduction and the success or failure of federation under the Government of India Act of 1935, but also the future form and fortunes of the many states that lack the means, even if they possess the will, to keep pace with the rapid evolution of a new India. State administrations are being exposed to ruthless examination by politicians and the press. If those responsible are unable or unwilling to render an account of their stewardship, it is rendered for them, generally with a blunt admonition that their only salvation lies in immediate constitutional and administrative reforms.

The pressure does not come from one direction only. The Congress leaders, speaking for the largest and most efficiently organised political party, demand the "democratisation" of all aspects of state administration and the introduction of responsible government. In the states themselves, particularly in the more advanced states, there is a growing desire by the peoples for an effective voice in the administration. They may seek, for the most part, a "responsive" rather than a "responsible" government, but the basic requirements are invariably justice and fair taxation, speedy redress of legitimate grievances, and a voice for the people in their own governance and destiny, to be heard through suitable representative institutions. Maladministration or oppression cannot always be blamed; for

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states like Mysore, Baroda, Travancore, Cochin and Hyderabad have modern and efficient administrative systems which lose nothing by comparison with those of British India. Rather can the reasons be found in the growing spirit of Indian nationalism, the democratic ideas that have come to stay, the earnest feeling that unity is essential and that in a successful federation there cannot be two Indias in water-tight compartments.

Unhappily for those who are trying to bridge the constitutional and administrative rifts between British India and the Indian states, there is every difference between the relatively few enlightened states, which should have no real reason to fear either federation or any reasonable criticism, and the many backward states, which the kind-hearted may perhaps describe as picturesque anachronisms. India's history provides a key to this complexity. Until the coming of the British, centralised government was weak or unknown even under the most powerful rulers of India. Each empire comprised innumerable kingdoms, states and baronies, fluid in allegiances and alliances, but nominally accepting suzerainty and paying such tribute as could be exacted. In the interval between the dissolution of one empire and the emergence of another, there were struggles for power and consequent adjustments and re-alignments, until the new régime enforced some semblance of stability. It was during such a chaotic interval that the British assumed the central authority, and, without permitting normal adjustments, imposed permanence upon unnatural divisions of large areas. To make confusion worse confounded, the newcomers then proceeded to make territorial and dynastic changes, generally for reasons of expediency and not on historical or geographical grounds. Partly by accident and partly by political design, the consolidation of British power gave to India a small number of major states, generally progressive and well administered, and an unwieldy number of small states, the majority of which are unable to shoulder the burden of efficient

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administration and stagnate helplessly in semi-mediæval conditions.

In British India, the units have developed with a certain constitutional and administrative uniformity, which provided a suitable basis for federal plans. There has been no parallel development in the Indian states. The major states have travelled far along parallel, though not identical, roads of political advance. Lesser states possessing the necessary resources are commencing to move in the same direction, and have either announced liberalised constitutions or instituted enquiries from which such constitutions may be expected to emerge. There remains, however, a large residue of states, too poor or too inconsiderable to support proper administration, much less a recognisable constitution. It is indeed an outstanding anomaly of the accident of origin and unequal growth, an anomaly to which the major states not unreasonably object, that they, with their ample revenues and progressive administrations, should be classed with hundreds of petty states, which are treated as independent units, many of them having no more than a square mile of territory, one thousand inhabitants and an annual revenue of, say, one thousand rupees or £75.*

Of the 81 states in Gujarat, 70 have annual revenues of less than one lakh (£7,500), and a large proportion have less than one-tenth of the amount. Of the 33 states in the Bundelkhand agency, twelve have more than one lakh per annum but only one can claim an annual revenue of over ten lakhs. Of the 282 states in the Western India agency, there are over 200 with annual revenues of less than one lakh and some have negligible incomes. Of other areas, the statistics tell a similar tale of petty chieftains existing on a pittance, trying to keep up some semblance of traditional and rather tawdry splendour for themselves, but spending little or nothing on their subjects. The plight of somewhat larger

* The official reference book, *Memoranda on the Indian States*, gives essential details of all states with brief descriptions of the more important.

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states, however, does merit a degree of sympathy. In this class there are states with populations ranging from fifty thousand to one hundred thousand and a revenue of perhaps three to five lakhs. The ruler is often modern in outlook, intelligent and willing. He may content himself with a modest privy purse, but he can neither keep up the appearances that tradition and status demand nor provide adequately for the well-being of his subjects, much less institute legislative councils and similar democratic paraphernalia. In the somewhat wealthier class, we find states with only ten lakhs of revenue that are relatively better off and better administered than those with twenty lakhs.

II. CONGRESS AND THE STATES

BEFORE the world war, the princes and ruling chiefs continued to live a sheltered life, and the growth of political consciousness in British India affected them but little. The small states remained stagnant while the major states pursued a more or less enlightened policy: one or two, indeed, went ahead of British India in some respects. Baroda, for example, introduced compulsory education as well as medical and health services, an independent judiciary, a privy purse, and balanced and published budgets. Although the more advanced states had realised that the quickening life of India must affect them and had studied the implications, the princely arcady was not really seriously disturbed until there arose the political conflicts that brought into being the Round Table Conferences. At those conferences the princes enabled the discussions to take definite shape by signifying their willingness to enter into a federal scheme, as the soundest method of achieving unity and ensuring power and responsibility at the centre. It may be recalled, in view of present trends, that the princes made their acceptance of federation conditional upon the existence of mutually friendly federal units, and of adequate financial resources and undoubted stability at the centre.

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It is probably true to say, not only that the states promised to support an all-India federation from mixed motives, but also that some did not fully realise what their acceptance involved or what its effect might be upon vigorous political movements in British Indian provinces. Some states, though not the progressive ones, undoubtedly thought that acceptance of the federal principle represented the maximum political effort that they would be called upon to make, and that thereafter they could resume their sheltered life. Others realised that pre-war India was no more, and that they had every reason to make the best possible terms for themselves without delay: their initiative at the Round Table Conferences secured for them a standing in the future federation with which they could feel well satisfied. For sentimental and practical reasons, many states sympathised with the desire of British Indian politicians that in the new India there should be a minimum of British control and interference; but they had no intention whatever of allowing the British mantle to fall upon those same politicians. The latter, of course, thought otherwise, and would gladly have ignored the position and claims of the states had they been able to do so; nothing would have suited them better than to assume the rôle of British officialdom and exercise the same functions in relation to the states. Disappointment on the one side, resentment on the other, suspicion and obduracy on both sides, have brought about the present critical conflict.

The situation has so deteriorated in the last two years that while all the interests concerned still pay lip-service to a federal ideal—and in their hearts all know that an all-India federation is the only sound and durable solution—it is difficult to find any responsible body of opinion ready to accept federation in present circumstances. From the princes' standpoint, it is not difficult to understand why to-day they are hardly enthusiastic federalists. They are perturbed and not a little bewildered by the uneven outcome of the latest Congress technique in agitation. The

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resolution passed at the Haripura Congress convention a year ago * prescribed neutrality in respect of agitations in the states, but left a convenient loophole for individual leaders to "help" the states' peoples. This has been held to justify the action of Congress leaders who placed themselves in touch with discontented caucuses in certain states, and through them fomented agitation, with a threat of direct action. The ulterior motive is not obscure, nor is it disavowed in Congress circles. It is the ambition of the Congress, in case federation is introduced, to be able to form a central Ministry with a working majority, unfettered by the compromises that coalitions entail. It is purely a question of political arithmetic; for, thanks to the reservation of seats for Moslems and other minorities, the Congress cannot obtain that majority except by capturing a large proportion of the seats allotted to the states. Hence the persistent propaganda, especially in the advanced states in which results are more easily achieved.

The deepest concern was caused by the manner in which Congress sent outside volunteers to the states to agitate and stir up trouble. Mysore, Travancore, Hyderabad and Baroda, four advanced states with a high standard of administration, all experienced this interference in some degree. Again, in Rajkot, a backward state, the entire agitation was fostered externally and carried on internally by Congress volunteers from adjacent territory, until finally Mr. Gandhi intervened with what has been termed an innovation in political blackmail.† It is not surprising that the princes began to enquire how the Paramount Power intended to protect them from interference and invasion. While not fundamentally hostile to the federal scheme, they had no intention of signing their own death-warrant. Surely, they said, the Paramount Power should indicate how it proposed to deal with the present situation, and how it intended to carry out its moral and contractual obligations in the future.

* See THE ROUND TABLE, No. 111, June 1938, p. 367.

† See the article on "Mr. Gandhi's Fast," below, p. 398.

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In the present attitude of the states towards federation this issue overshadows all secondary points arising from the revised Instruments of Accession, upon which their views may shortly be expressed thus: "Is the Crown or the Congress to be the Paramount Power?" Should this be thought an unreasonable question, there is illuminating proof of its relevance in a recent article by Mr. Gandhi in his paper, *Harijan*, and the same sentiments were reiterated in his manifesto of March 20:

If the Princes believe that the good of the people is also their good, they will gratefully seek and accept the Congress assistance. It is surely in their interest to cultivate friendly relations with an organisation which bids fair in the future, not very distant, to replace the Paramount Power, let me hope by friendly arrangement. Will they not read the handwriting on the wall?

III. THE POLICY OF THE PARAMOUNT POWER

THE states do read the writing on the wall, and they find no assurance in the thinly-veiled threat. Nor are they pleased to be told bluntly that the terms on which they can buy peace from the Congress are that they shall introduce responsible self-government as the basis of new constitutions, and that the states' representatives in the federal legislature—the all-important matter from the Congress standpoint—shall be elected by the people and not nominated by the rulers. Thus will Congress obtain a majority and, so pessimists fear, will treaties be shorn of significance and India transformed into one vast voting-machine on the totalitarian model. Turning for reassurance to the Paramount Power, the states felt themselves unable to discern any clear-cut policy; and their fears mounted in response to what they regarded as the weak *laissez-faire* attitude of Delhi and Whitehall. If, as they knew full well, the Paramount Power had no intention of abdicating, then they felt that an intelligible policy should be laid down and a sustained effort made to rally in its support all the sound and progressive elements in the country. That did not

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exclude the Right wing of Congress. In any estimate of the situation it would be wrong to assume that the states are either inherently or irrevocably opposed to every aspect of Congress Right-wing policy. The imperative need was that there should be no further delay in stating the policy of the Paramount Power.

Events were to prove that the Paramount Power was neither as weak nor as puzzled as the deterioration in the situation suggested, though it is reasonable to conclude that an earlier statement was possible and that it would have avoided many unpleasant complications. The way was prepared by cautious but significant statements from Earl Winterton and Lord Zetland in England and by the Viceroy in Calcutta.* The outline of the policy became more definite with Lord Linlithgow's speeches at Jaipur and Jodhpur early in March. Finally, his annual address to the Chamber of Princes in Delhi provided the occasion of unmistakable significance that all interests had anxiously awaited. "I am not ignorant," said the Viceroy, "that in recent times the rulers of Indian states have been passing through, in many cases, a period of stress and difficulty. Far be it from me to deny that there have been many cases in which states have been subjected to attacks which were entirely unjustified, attacks in which one has been unable to trace any scrupulous regard for strict accuracy, or any real desire to promote the welfare of the state or of the people." But, after allowances had been made for such unjustified attacks, it remained true that the princes must take steps in accordance with current trends and place themselves beyond criticism. Public opinion must have an opportunity to express itself, and there must be machinery whereby legitimate grievances could be brought to notice and freely and promptly set right. The problems of absentee rulers, taxation, privy purse and balanced budget, all invited sage advice from the Viceroy: "The more personal the form of rule the greater is the need for the personal touch . . . he

* See THE ROUND TABLE, No. 114, March 1939, p. 356.

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who would be the father of his people must satisfy himself that all classes of his subjects are given their fair share in the benefits of his rule, and that an undue proportion of the revenue of his state is not reserved for his own expenditure."

The Viceroy stressed the sovereign rights of the rulers and the obligations of the Paramount Power to protect those rights. But he stressed no less the obligations of the princes to their subjects, to the Crown, and to their motherland. Assistance and advice would be given, but there would be no pressure on the states. There was, however, a warning that those princes who did not respond could expect little sympathy in future difficulties. Such was the burden of the Viceroy's advice to some six hundred states, to the small and backward among which he commended the wisdom of combining for administrative services.

Here indeed was the vital lead, demanded on the one hand by the states, and on the other by public opinion. In broad outline, the Viceroy's policy closely resembles that propounded by shrewd administrators and statesmen for the last twelve months. His announcement gave a marked impetus to discussions that had already been initiated in a number of states. More states launched enquiries into constitutional possibilities, with a view to providing suitable representative institutions and associating their subjects more closely with the administration. From the joint conclave of the leading Kathiawar states came their own suggestion of instituting and sharing an agency police. Why not, then, it is being asked, an agency judiciary, educational service, public works department, perhaps even a small legislative council, and a general pooling of revenues to provide for the essentials of progress? States in Central India have been invited to consider similar steps towards confederation for administrative purposes, and, if that is accepted, it is no great step to confederation for political purposes. Where there are tributaries which by accident or design have become separated from the parent body, they

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are being invited to consider returning to the latter on favourable terms.

The voluntary acceptance of advice and assistance was mentioned by the Viceroy and emphasised by His Highness the Maharaja of Nawanagar in reply. But none of those directly concerned can be unaware that what is voluntary to-day may not be so to-morrow. Democratic ideals are now too firmly rooted in India for their growth to be resisted. Danger lies also in forcing too rapid a pace of progress. If the states are resolved to reduce the disparity between their administrative and political conditions and those obtaining in British India, they are entitled to ask freedom from forms of pressure that are naturally repugnant to them—pressure which, while it might secure sullen acquiescence in the inevitable, could only sow seeds of future dissension. Here perhaps may be found the value of the personal discussions between Lord Linlithgow and Mr. Gandhi. The latter may be praised or condemned, but the essential thing is his very real power. He is also a very shrewd politician, and, if the cessation of external interference in the states is one practical result of the Delhi discussions, it may be assumed that the Mahatma has been convinced that the states are really moving with the times. Nothing is to be gained by attempting to stampede them.

IV. VARIETY AND COMPROMISE

IT is abundantly clear that more democratic forms of government will steadily be introduced in the Indian states. What those forms shall be, as the Viceroy said, must largely be guided by the passage of time and the practical test of experience. It is undeniable that the states embody ideas more characteristic of India than those to be found in the modern democratic principles that are being introduced and adapted. Furthermore, the states differ so much in their character, needs and traditions that it would be unwise, and possibly retrograde in effect, if there

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were an attempt to force them all into the same rigid mould. It can be said to their credit—and this has not always been conceded during the present controversy—that they began to evolve forms of responsible government before the present agitation assumed either strength or direction. Cochin, for example, has had a legislative council with wide powers for seventeen years. Last year it was decided to entrust the administration of certain departments to a Minister chosen from the elected members and responsible to the council as a whole. A form of dyarchy has thus been introduced. Even had dyarchy been the failure in India that it was so often proclaimed, it is not necessarily unsuitable for an Indian state where the civil servants are usually drawn from the people and have with them the bond of common outlook and interests. Its protagonists in the states to-day realise that “it may only be a stepping-stone to wider forms of democratic institutions,” but claim that in the nascent stages of democratic growth it has the merits of simplicity and feasibility.*

At all events, dyarchic devolution is the basis of advance that has gained the approbation of all enlightened states, and the one on which they are building, with such variations in the superstructure as seem suited to local traditions and requirements. One such interesting variation may be seen in the new Baroda constitution, which in outline and intention resembles that of Cochin. Here the popular Minister will be responsible to the Maharaja himself in much the same manner as the Dewan. The reforms committee, which had a strong non-official element, felt that this method was more likely to achieve the ideals of responsibility and closer association between governors and governed, by enabling the popular Minister to participate in and influence state policy as a whole in a manner which would hardly be possible if he were confined strictly to his own

* *The New Cochin Constitution*, by Sir Shanmukham Chetty, K.C.I.E., Dewan of Cochin. Proceedings of the East India Association, October 18, 1938.

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transferred subjects and made responsible only to the elected majority in the legislative council. Discussions in other enlightened states, such as Mysore, Hyderabad and Travancore, are still in progress, and there is reason to believe that the constitutions evolved will bear a general resemblance to those of Baroda and Cochin. It is of no less importance that a working model is being provided for those smaller states which have adequate resources, and for the combinations and confederations which may be formed among their still smaller or poorer colleagues.

The gradual devolution of autocratic power undoubtedly suggests a trend towards some form of constitutional monarchy in the modern and major states. His Highness of Cochin has not hesitated to say so, and the Maharaja Sahab of Jodhpur, replying to the Viceroy, said that he was afraid neither of federation nor of democracy on the British model. The transfer of power in the progressive states is intended to be real and effective, and few will contend, remembering British models, that there is anything irreconcilable between constitutional monarchy and such forms of democracy as may be suited to India's genius and requirements. Before, however, the states as a whole commit themselves to momentous and probably irrevocable changes, there is one question that should be answered: “Does the Congress accept Dominion status as its goal? If not, of what use are treaties with the Crown, and what is the value of federation if every unit is to be at war with every other unit?” The federal constitution approaches nearly to Dominion status, despite the present difficulties provided by defence and foreign relations. Congress still talks of independence, but there is no clear indication whether the aim is independence of the British connection or the independence conferred by the Statute of Westminster. Informed opinion inclines to the view that Mr. Gandhi and some of his Right-wing colleagues now seek only the latter, but it would relieve much tension, uncertainty and soreness if they were to say so.

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The present controversy now begins to appear in clearer perspective. There are, in fact, two overlapping problems. The possibilities of separate treatment have been obscured by political passions and propaganda, and by the process of evolutionary foreshortening to which India has been subjected for twenty years. The general desire for more liberal constitutions and for administrative efficiency finds its response in the declared policy of the Paramount Power and in the progressive developments in the larger states. In such respects the gap between British India and the Indian states will no doubt be steadily reduced. Democratic institutions will come more slowly in states of lesser resources and size, but they will undoubtedly come. The mass of tiny statelets presents great difficulties, but grouping offers such obvious possibilities that we need not despair of the outcome of the present vigorous approach to them. The first controversial problem, therefore, is being solved by goodwill and understanding and by the inexorable march of democratic thought and ideas.

There remains, then, the purely political problem presented by the Congress agitation to secure the presence in the federal legislature of what they term the elected representatives of the people instead of the nominees of the states. Only by this means, the leaders feel, can they secure a working majority and prevent the stultification of all progressive movements. It is not merely a question of two mutually hostile interests. Apart from the jealousies and ambitions that have always prevented the states from presenting a common front, it is likely that the states' representatives, whether elected or nominated, will be found grouped in their respective economic and territorial groups, and not tied to a particular political school. The result may indeed be very different from that which the Congress expects. It is unfortunate also that the Congress appears to attach little importance to the fact that the states could provide the new federal legislature with many able administrators and statesmen of the type of Sir Mirza Ismail, Sir

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V. T. Krishnama Chari and Sir Shanmukham Chetty, whose sagacity and experience would be invaluable in the early years of the new dispensation.

If, as it seems, conflicting interests can be reconciled only by political arithmetic, deadlock is not inevitable. The Act provides that the states' representatives are to be nominated by the rulers, but it does not specify any method whereby a ruler must choose them. He may choose arbitrarily, or create machinery for their election, or devise a compromise between the two. It is not unlikely that the progressive states will be prepared, as a first step, to nominate half and to allow half to be elected, thus providing a parallel to the new dyarchic administrations. They are genuinely seeking to readjust themselves to democratic forces which they can guide but cannot resist. The task of fitting into a loose democratic federation a heterogeneous mass of some 600 states in every stage of development obviously bristles with difficulties. No less obviously the way is opening for an understanding between British Indian politicians and the major states. The progressive introduction of liberalised administrations and constitutions can solve one problem. As for the other, if Indian political leaders are willing to honour treaties, to refrain from hostile interference, and to accept Dominion status as their objective, there are reasons for believing that the states might be prepared to concede the election of a proportion of their representatives, and that the Congress high command might accept such a step as a suitable compromise. The alternatives are so unpleasant that we are bound to put our faith in the eventual triumph of reason, goodwill and common sense.

India,
April, 1939

THE GERMAN MILITARY MIND

By a Correspondent

I. WAR THROUGH GERMAN EYES

TO judge from their field manuals alone, there would seem to be hardly any difference at all between the military ideas of the various nations. All of them agree in emphasising the same fundamental and uninspiring truths: the value of the initiative, the necessity of arriving at the decisive point first and with the superior force, the importance of surprise and speed, the need to take precautions against the enemy's counter-action. It is only when we turn from these truisms, and read between the lines, or, better still, when we study the histories of the various armies, that we become aware of those factors which really determine the outlook and the methods of the various national forces. Only then do we begin to appreciate how profound are the differences between the strategic outlooks of the British, the French and the Germans.

The investigation of these subtle national peculiarities in the approach to problems of strategy, or in the preference for certain tactical forms, is relatively easy where, as in Great Britain and to a lesser degree in France, the nations and armies have enjoyed a long spell of gradual evolution; but it is particularly difficult for Germany, whose national life has undergone a complete revolution in recent years. In some respects that revolution has affronted the deepest national instincts, while tending in others to exaggerate national traits to the point of absurdity. The sharp distinction between the traditional outlook of

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the German people—the product, gradually evolved, of their national genius and the accidents of their history—and the theory and practice of the Nazi régime is of particular importance in considering the fundamental background of all military activity, the general attitude of the nation towards war and its problems.

To the Anglo-Saxon peoples, war is an unqualified and, above all, an avoidable calamity. Even to those who do not regard it as radically opposed to the creed and spirit of Christianity, war seems to result from a lack of understanding and from the mismanagement of international relations. It appears as an error that might have been avoided, the blame for which can be apportioned, with a large degree of justice, between the two contending parties. From this point of view the German attitude, which accepts war as a natural, indeed necessary, element of human existence, and therefore as not conflicting with Christian doctrine, is bound at first to appear incomprehensible, not to say blasphemous.

It is easy to point to the contrasting historical experience that has led to this fundamental difference of outlook. On the one hand, we have the comparative immunity from war and invasion enjoyed by the Anglo-Saxon nations behind their silver walls; their long, though not unbroken, experience of the peaceful solution of internal differences, an experience which they are too apt to project upon the fundamentally different external plane; the profound influence of the nonconformist Christian churches. On the other, we have the highly turbulent history of the German people, confined as they have been between the French in the west and the Slavs and the Turks in the east; their memories of the Holy Roman Empire, which endowed the sword with the blessing of the Christian Church, as the bearer of justice and order and the weapon of defence against the infidels; and, last but not least, the profound influence exerted during the nineteenth century by universal military service, which, from the Napoleonic wars

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onwards, played a far larger rôle in the life and thought of the German people than in that of any other nation.

The German claim that war is an inevitable element in human existence is certainly not the expression of an unduly bellicose spirit, nor of a frivolous disregard of law and justice. On the contrary, at its most genuine, it reflects a deep reverence for the fact that man's destiny is dominated by forces mightier than all human will and foresight. Human life, according to this philosophy, is not a peaceful process in which all differences can be equitably adjusted with the exercise of a little good-will on both sides, but a majestic and violent drama in which, as in every tragedy, right conflicts, not with wrong, but with another right. Just for this reason, the German mind feels that the deepest issues cannot be submitted to the judgment of any mortal tribunal, be it the wisest judge or the most objective court of law.

In all great and decisive moves in the international sphere (recently wrote a profound student of the international outlook of the German people *), wherever not "episodes" but "epochs" are in the balance, the conflict of one State with another over certain rights or interests is merely the outward and visible sign of a far more fundamental conflict. . . . The act whereby the conflict is composed constitutes not a judgment or a settlement, establishing rights, but a balance-sheet showing the rank that the nations concerned have established for themselves in the struggle. The world war, in its deepest aspects, was no struggle for certain rights or interests, any more than the war of American Independence was a conflict about tea-boxes; and the treaty of Versailles forms as little the legal documentation of the settlement of extensive and complicated quarrels as did the treaty of 1648; but its stipulations provide the complex and often scarcely decipherable signs by which the new rank of some nations, their weight in the balance of history, has been expounded.

From this point of view—which, the author goes on to claim, is the result, not of a mystical belief in "blood and iron", but of an unbiased attention to the facts of history—the attempt to eliminate war altogether through the setting-up of a League of Nations, or any other form of collective security, must appear to be based on an erroneous,

* Dr. Karl Schmid, in the *New Commonwealth Quarterly*.

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indeed a superficial and irreverent, conception of human destiny. For by seeking to obviate the ultimate recourse to the sword it threatens to withdraw the fate of the world from the soldier risking his life for his cause, and entrust it to the pettifogging lawyer. Moreover, by trying to achieve what is neither possible nor desirable—it was Moltke who declared that "eternal peace is but a dream, and not even a pleasant dream"—it is bound to end sooner or later in disaster infinitely worse than the hardship that it has vainly set out to abolish. Here, in fact, lies a much deeper source of German distrust of the League of Nations than the unfortunate connection with the treaty of Versailles. That such sentiments are neither a purely German perversity nor incompatible with the deepest religious feeling is shown by the example of the famous American naval historian, Admiral Mahan; in all his work, and particularly in his collected essays on *Some Neglected Aspects of War* and in *Armaments and Arbitration*, Mahan took his stand upon exactly the same doctrine, though he wrote as a devout and earnest Christian, in which character he was respected by everybody who came into contact with him.

The German people, steeped in this concept of war as a sort of "trial by battle", have tended to regard war as essentially a conflict between the armed forces of the States concerned, and not as involving their civilian populations. To the German people, war is—or rather, has been—a struggle in which, in the words of Rousseau,* the individuals are enemies only by chance, not, indeed, as individuals, but merely in their function as soldiers; this in contrast to the more natural view, which has always been held in Great Britain, that war constitutes a state of enmity between all individual citizens of the belligerent parties, as well as between those parties themselves, and that there can be no economic peace side by side with a conflict in arms.†

* *Contrat Social*, I. 4.

† Cf. Dr. Hugo Richarz, *Wehrhafte Wirtschaft*, pp. 10-11.

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The former artificial distinction, however, persisted in Germany until the beginning of the world war, when it broke down under the impact of the mass emotions aroused by that struggle. It broke down, that is, among the civilian population. At the front, the old spirit still retained its influence, and nothing in the whole of the Allied propaganda—in itself felt to be an “unfair” method of waging war—aroused such fierce resentment as the exaggeration of misdeeds inseparable from any great army in the field, and of hardships inevitably imposed upon the civilian population of the invaded areas. The general accusation of “unchivalrous conduct”, which was built on these charges, was bitterly repudiated precisely because the German army felt itself to be imbued with the very opposite tradition, and, as far as possible, to be living up to it.

It is hardly necessary to point out how fundamentally this traditional German outlook upon war has been distorted and perverted in many respects by the Nazi régime. No attempts to disguise it or explain it away can conceal the gulf that yawns irreconcilably between the traditions of the German army and the spirit of the Nazi party. However much the German army as a whole may have come gradually under the influence of Nazi propaganda, the individual German soldier, again and again—in Austria, during the November pogroms, in Czechoslovakia—has openly dissociated himself from the shameful deeds of “bravery” that the Third Reich has performed towards those who could not defend themselves.

II. THE GERMAN CONCEPT OF STRATEGY

IN the military sphere, this idea of war as a purely military struggle between two opposing armies, added to the thoroughness of the German mind, has resulted in a unique mastery of the meaning and the possibilities of strategy. In fact, during the greater part of the nineteenth century,

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Prussia-Germany enjoyed a virtual monopoly in the “higher conduct of war”. A series of outstanding strategists and military organisers—Scharnhorst, Clausewitz, Moltke, Schlieffen—taking up, where he had left it, the decisive, mobile strategy inaugurated by Napoleon, pursued it to its logical conclusion, and adapted it to the new means of transport and communication as well as to modern mass armies.

The concept of the “conduct of operations” that they evolved was derived from what may best be described as the idea of “pure strategy”. War was envisaged as a strictly autonomous military act, directed according to its inner strategical logic towards one decisive aim, the overthrow of the enemy’s forces in the field. The idea was that all other considerations, political or economic in character, being extraneous to the strict military *rationale*, could only divert military action from the course best calculated to achieve that aim. Whatever their urgency, they therefore had to be rigidly excluded; for the attainment of the supreme objective would make good all sacrifices or disadvantages incurred in the meantime. This notion of the overriding importance of the military factor led to severe friction between Moltke and Bismarck in 1870, and was responsible for the march through Belgium in 1914; moreover, it misled the German navy, as its spokesmen to-day frankly admit, into a wholly erroneous conception of naval warfare as a purely military struggle between the opposing fleets, instead of a fight for the control of vital sea communications.

It was held to be the aim of strategy to accomplish the overthrow of the enemy rather by movement than by straightforward fighting—movement conceived, not in the eighteenth-century fashion as a means of waging war without resorting to the doubtful expedient of battle, but on the contrary as a means of bringing about the complete discomfiture of the enemy by keeping him “on the run” and forcing him to expose his flanks and rear to decisive

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strokes. In such wide sweeping movements as Napoleon's advance upon Ulm in 1805, or the Schlieffen Plan of 1914, or, conversely, the great strategic retreat of the Russians, which broke up the *Grande Armée*, rather than in the actual direction of the forces in battle, German military thought saw—and still sees—reflected the true greatness of a commander, the creative aspect of the art of war, and the proper sphere of strategy.

The appreciation of "movement" as the essence of strategy is but the reflection of a fundamental feature of German military thought, which perhaps more than any other serves to distinguish it from that of other nations: its habit of looking upon the campaign, or war, as a whole. While French, British and other military thinkers, conceiving military theory as a series of ill-defined principles, indiscriminately applied to tactics and to strategy, have tended to concentrate upon the conduct of the individual action, German strategic thought, particularly that of its great master, Carl von Clausewitz, owes its mastery of the art of war to its realisation that the deepest problems in the conduct of war do not emerge from the individual operations, taken by themselves, but only from their co-ordination into a continuous, coherent whole.

This idea of the "inner continuity of the military effort" does not mean, as is sometimes contended by French critics, that strategic operations must be conducted according to a preconceived plan. That was not true even of the famous Schlieffen Plan. It means something infinitely more elastic and more difficult: continuous adaptation of events to the objective of the campaign, through the superior will and intelligence of the commander. Far more ambitious than the French notion of manœuvring for a suitable opening, this German conception of strategy as a coherent "system of expedients" demands of the commander more than mere talent, or the painstaking intelligence and skill of the French ideal of the *officier instruit*. It demands a creative power to bend events to his will, a faculty little short

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of genius. Count Schlieffen, recently taken severely to task by prominent German military critics for his failure to allow for mediocrity, and for the superhuman nature of his demands upon leadership, had only developed the implications of German strategic thought to their logical conclusion. When, in 1914, in the hands of men who lacked the drop of Samuel's oil by which Schlieffen symbolised the genius of the born captain, his plan broke down, and when the power of the machine gun transformed the war of movement into the grim and laborious struggle of trench warfare, the internal and external limitations of that strategy were suddenly revealed. Yet so strong was the grip that it had established upon the thought of the German general staff that neither during that conflict nor since have they realised how fundamental is the revision thus made necessary.

German military thought has not, indeed, been blind to the new developments. It has completely thrown over the former tendency towards "pure strategy", fully recognising to-day the importance of political and economic considerations. In many other points it has shown a keen perception of the changes that have occurred since 1914, although it still hopes to return to the war of movement. But it has grafted these newly acquired ideas upon the old doctrine, without recognising their utter incompatibility with it, and has thus unwittingly discarded that conception of war as a whole upon which German strategy, more than that of any other nation, depends for its successful execution.

III. TACTICS AND DISCIPLINE

LIKE German strategy, German tactics are characterised by their freedom from restraining rules or methods. They are designed to allow the individual commander the greatest possible liberty in adapting himself to the concrete situation that confronts him and in exploiting it to military advantage. Here is a complete contrast with

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the French tendency to evolve carefully thought-out patterns of conduct for every conceivable contingency, method that the German mind rejects as too complicated too slow, and above all too rigid.

The German commander is allowed a latitude in his tactical decisions such as exists in no other army. It has not always been so. Under Frederick the Great, so strict was the control of officers, even on isolated duty, so fierce was the king's insistence upon the precise execution of his orders, that they did much to quench the spirit of initiative aroused in his generals by his own heroic example. But after his death, and in particular after the breakdown of his system in the catastrophes of Jena and Auerstädt, the pendulum swung to the opposite extreme, and it has remained there ever since. Prince Frederick Charles of Prussia, the great military organiser of the middle of the nineteenth century, wrote in 1860:

Prussian officers cannot be subjected to restrictions by regulations and tactical schemes such as are in force in Russia, Austria and Great Britain. With our officers, it would not be possible to fight a defensive battle on such regular lines as Wellington adopted. . . . With us, the generals are ready to engage freely in all kinds of enterprises on their own account, without the knowledge and the assent of the commander-in-chief, and to exploit to the utmost all successes gained.

A great measure of independence is granted to the commander, not only in the undertaking and pursuit of actions on his own account, but above all in the execution of his orders. As the man on the spot he is not merely authorised but indeed expected to correct his orders on his own initiative as soon as he realises that they do not fit the situation. The outcry of an old general, "Sir, the reason why the king has made you a staff officer is that you should know when *not* to obey your orders", is one of the most famous *bon mots* of the German army. Such ability to exploit the peculiar features of a given situation demands the greatest rapidity both in decision and in execution. German tactical training, therefore, ranks speed and vigour

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execution above the correct form of the action, or above that care for ensuring "security" which characterises French tactical ideas. German tactical skill is felt to find its most congenial conditions, not so much in regular attack or defence, as in the free encounter of mobile warfare. Although, to-day, with the immense complication of units, equipment and tactical methods, such free action is acknowledged to have become far more difficult than formerly, great attention is being paid in Germany to a thorough training of the troops for a war of movement, special care being devoted to reducing as far as possible the inevitable time-lag between the infantry's deploying into action and the readiness of the artillery to support it.

The German soldier therefore claims the attack, in which above all he finds the sense of swift and vigorous combat, as his specific national form of action. Not that he underrates the romantic *élan* of the French, the dogged stubbornness of the British, the crude bravery of the Russian attack; but all these nations, he finds, show an even greater aptitude for the defence. In the swift and irresistible onrush, on the other hand, with which from the days of the Romans to the world war his forefathers used to overrun their opponents, he recognises his own peculiar heritage, the expression of his sanguine temperament. In its strange exhilaration he feels the very soul of war vibrating. He believes that the dashing spirit of attack, regardless of loss, has often served to snatch victory from the very jaws of defeat.

Before the world war, the German army made the mistake of retaining its rigid forms of infantry attack, and seriously neglecting the assistance of the artillery. To-day, not only have these two defects been thoroughly remedied, but the very restrictions of the treaty of Versailles, which deprived the Reichswehr of tanks and heavy artillery, obliged it to develop the power of attack to the utmost, with the result that the German army probably leads all other forces in its training for modern elastic attack. It believes that, when the mechanical equipment of the armies

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f to-day neutralises itself in a deadlock, victory will fall to the better trained infantry, and, above all, to the infantry trained to dispense if necessary with the assistance of the tank.

In the same way the world war brought about a profound change in the German army's attitude towards the technical factor in modern warfare. Before the war, the intense emphasis laid upon the spirit of the infantry attack had led to a serious underestimation in the German army—as compared, for instance, with the French army—of the importance of the technical factor. Despite their rapidly growing importance, the members of the technical branches were looked down upon by the “real soldiers”. In order to achieve promotion in his service, the sapper had to prove to his superiors that he was no sapper, but an infantryman, while the field artillery concentrated to such an extent upon the cavalry part of its work, driving and riding, that it not only neglected shooting, but also sacrificed valuable points in its guns and munition train in order to keep them sufficiently light for a gallop. Only the heavy artillery, free from such distracting influences, developed to the full the means at its disposal.

Under the influence of the world war, this outlook has undergone a radical change. The military spirit of the technical soldier is no longer questioned, although a certain looseness on this point still persisted only a few years ago. The importance of the fullest use of all technical resources is very strongly emphasised. The training of the various technical branches—sappers, mechanised units and artillery—is at a very high standard. In particular, the field artillery has completely made good the lag formerly existing between its own and the heavy artillery's methods of fire direction and spotting.

Yet pronounced contrasts with the comparable services of other armies still exist. As a German artillery officer recently pointed out,* the German officer's attitude towards

* Dr. Horst Herrmann, *Der Offizier als Mathematiker*.

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shooting, and in particular towards mathematical ranging, differs fundamentally from that of his French opposite number. The French officer is not satisfied with merely accepting the rules he is instructed to follow, but feels personally responsible for their adequacy, and constantly re-examines their basis, elaborating new mathematical methods that appeal to his taste, as an elegant solution of a problem, no less than to his scientific spirit. The German artillery officer, on the contrary, considers the relatively simple methods laid down in his regulations as fully adequate and above doubt. His concern is not with their critical examination, but exclusively with their application to varied circumstances. In this, however, he is disinclined to fetter himself with mathematical methods of fire-direction, however brilliant. For the sake of an enlarged freedom in exploiting the situation, he is ready to renounce their many and great advantages: the ease and simplicity of their application, the infinitely smaller physical and psychological strain that they impose, the facility in taking over from another command. Admitting that mathematical fire-direction may prove superior in stable warfare, he feels that it cannot compete with his own free methods in mobile warfare, in which during the world war the German artillery always achieved its best results.

A parallel change has been brought about by the world war in the German army's attitude towards discipline and obedience. Since the days of Frederick the Great, when obedience was exalted into the cardinal virtue, any infraction of which was unforgivable, the Prusso-German army has been prone to identify military efficiency with strictness of discipline, and to judge other forces too much by this standard. Even when it was fundamentally altered in inner structure from a mercenary force into a national army in the time of Napoleon, the strict outer forms were left untouched, although indeed the spirit in which they were applied from that time onwards was more paternal and less mechanical than the foreign observer might

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magine. Yet the utter breakdown of the morale of the German army in the autumn of 1918 showed that mere external strictness, tempered by paternalistic benevolence, was not enough, and that the relations between the leaders and the led must be placed upon a broader and firmer foundation, if they were to survive a similar strain in the future. Since the end of the war, therefore, the chief preoccupation of the German military authorities has been to assure the morale and inner coherence of their force against a similar catastrophe. Without in any way relaxing the outer forms of discipline, the German army has been at pains to forge the relations between the leaders and the led in the shape, no longer of mere external authority, but of a real inner bond. The young officer is taught as his primary duty to win the confidence of his men, and to establish a real feeling of comradeship with them—without thereby endangering his authority. The new, airy barracks with their whitewashed and gaily adorned walls, the care taken in the preparation of the food, and the higher pay, are an outward expression of this greatly increased solicitude for the well-being of the rank and file.

In this recognition of the soldier's individuality, the German army is but paying tribute to the exigencies of present-day infantry tactics, which demand a vastly increased measure of initiative and independence on the part of the private soldier. The close formations of pre-war tactics left to the officers the tactical skill whereby the units of man-power became instruments of action. The new tactics, based upon the personal initiative of the individual soldier or the small machine-gun squad, have made imperative a far more meticulous and individual training. This modern training is designed to develop, not only the traditional offensive spirit of the German soldier, but above all those qualities of enterprise and intelligent adaptation to circumstances in which he has hitherto shown himself relatively deficient, and in which the French soldier was recognised to be superior in the war of 1914-18.

BRITISH SHIPPING IN THE ORIENT

UNLESS a prompt and concerted effort is made by the British nations, shipping under their flags in the Far East is doomed to decay. That is the inescapable conclusion of the latest report of the Imperial Shipping Committee.* And as the British mercantile marine declines, anywhere in the world, so the strength of the whole Commonwealth in face of danger is sapped. For the sea is its arterial system, and trade and shipping are the twin corpuscles of its blood stream.

I. WHERE THE SHOE PINCHES

THE report, which is exceptionally valuable and frank, contains a mass of luminous figures and other information. It appears that the danger of decay of British shipping in the East chiefly menaces four main routes: between the Orient and North America; between Japan and India, Burma, Ceylon and Malaya, *via* Singapore; between Japan and Australasia; and the coastal and riverine trade of China. Foreign competition has also begun to eat into the coastal shipping trade of India and Burma, and beyond India to the Persian Gulf, East Africa and the Cape, slowly but like a smouldering fire. On the remaining great Oriental shipping routes of importance to the mercantile marine of the British Commonwealth, namely, the routes between Europe and the East *via* the Cape and Suez, British shipping has held its own. There, it maintains a

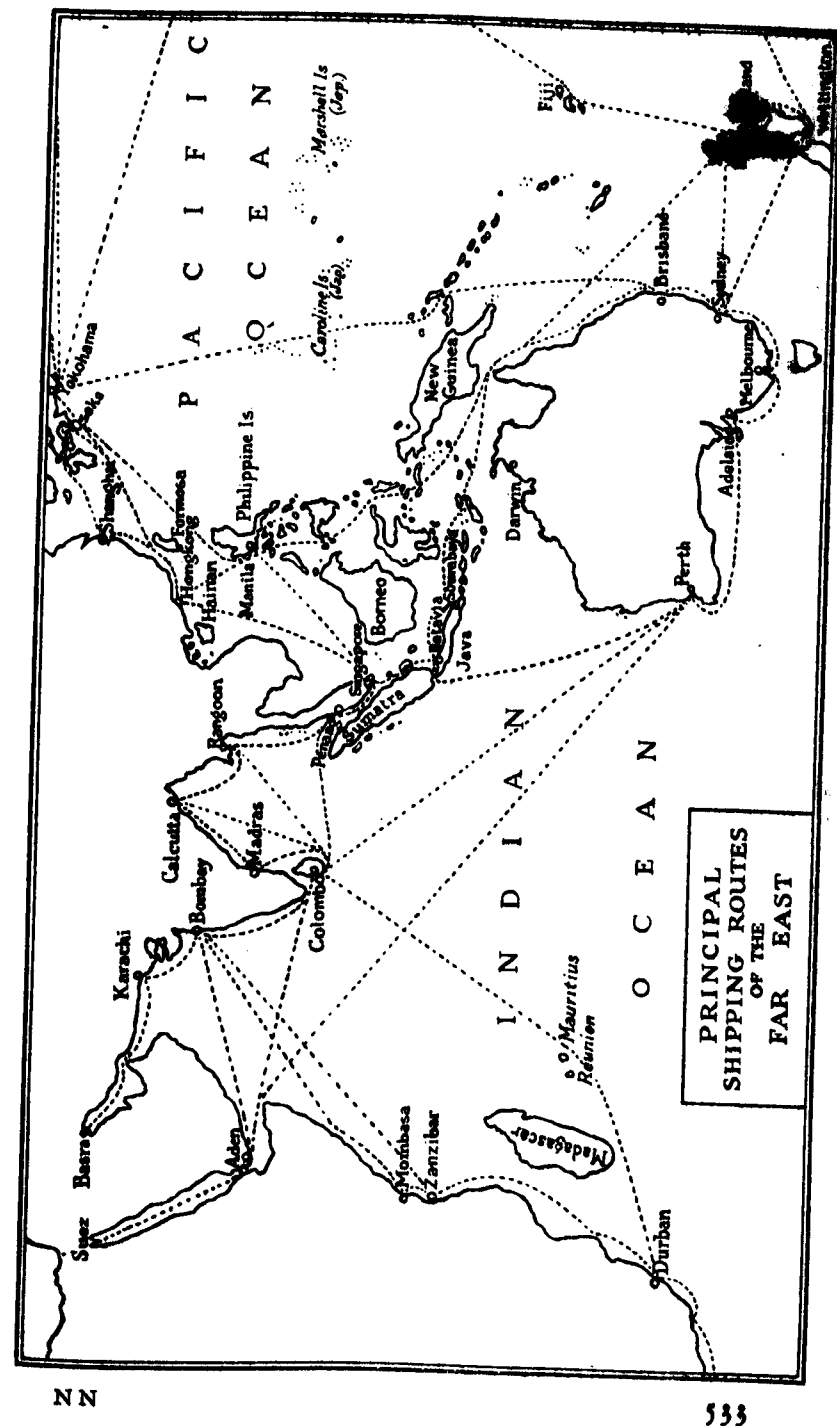
* *British Shipping in the Orient*. Thirty-eighth report of the Imperial Shipping Committee.

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long lead over its competitors—mostly European countries—with between 40 and 50 per cent. of the tonnage passing the cargo and passengers carried. This European traffic accounts for about one-half of the £33,000,000 which United Kingdom shipping earned in Oriental trade in 1936. That sum was about one-quarter of the gross receipts of the United Kingdom shipping industry from the carriage of cargo and passengers all over the world. In the Oriental routes on which British shipping is seriously threatened, therefore, we are apparently concerned with roughly one-eighth of the total British shipping interest. This figure, however, does not take account of British shipping not based on the United Kingdom.

The coastal and riverine shipping of China is in a different position from the other threatened categories because its present state is pre-eminently affected by the Sino-Japanese war, on the outcome of which its future manifestly depends. According to the trends that were visible in 1936, when China and Japan were at peace, two things were likely to happen. First, both Japanese and Chinese shipping would continue to encroach on the British position in the lower Yangtze. Secondly, although the rising prosperity of China would bring more grist to the mill of all concerned in her trade, her own protective tariff would probably diminish her imports of goods shipped in British and other foreign bottoms; her strengthening nationalism might also lead her to take for her own ships a growing share of her coastal and interior water-borne trade, or to foster the traffic by alternative railway routes. Estimates of the future, in the light of actual events since 1936, can only be hypothetical. If Japan beats China to her knees, and permanently retains her present forcible command of China's coast and ports, then she will undoubtedly take so much of the Chinese shipping traffic for herself as she has the means to supply. If, on the other hand, Japan's effort collapses under its own weight, and a victorious China sweeps back to the coast, a period of exhaustion and

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probably disorder might be followed by a torrent of Chinese nationalism. The second, however, is clearly the preferred alternative for British shipping interests in China.

The remaining three categories of shipping in the Orient in which the British position is menaced are all alike, in that they are on routes between Japan and British or other territories in whose external trade British shipping has had a very great interest. They are: Japan to the lands of the Orient that lie west of Singapore, particularly India; Japan to Australasia; and Japan to the east coast of the Americas *via* Panama, together with the northern trans-Pacific route to the west coast. The chief and most damaging competitor is of course Japan herself. By far the greater part (nearly 80 per cent.) of Japanese shipping is occupied in carrying the exports and imports of its home country. In 1913, one-half of Japan's foreign trade by value was carried in Japanese bottoms, and 29 per cent. in British. By 1935, the Japanese share had risen to two-thirds, while the British share had fallen to 11 per cent. A further fraction of some 3 per cent. must be added to the Japanese share, making it nearly 70 per cent., to account for ships registered in Dairen or China but owned in Japan. British shipping earnings from carriage to and from the Japanese empire—liner, tanker and tramp—were of the order of £4 million to £5 million per annum in 1935 and 1936.

In the trade between Japan and the Americas, British liner interests are small and are declining, the United States being the chief victim of Japanese competition. British tramp and tanker interests, however, are still considerable. On the north Pacific route, the Canadian Pacific line is well established, but the future of the Blue Funnel line is uncertain, as its vessels are due for replacement but have not been earning enough to cover depreciation. There

* See article on "The Future in China," in *THE ROUND TABLE*, No. 114, March 1939, pp. 309-22.

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are three Japanese lines competing with the Blue Funnel, which has also suffered from a special cause. Raw silk exported from Japan to the United States used to be carried to the west coast in British and American vessels, and forwarded eastward by rail. With the fall in the price of silk, the traffic could not bear the rail freight, and under Japanese initiative it was directed to the cheaper all-water route *via* Panama, on which it is carried very largely in Japanese ships. On the journey from the east coast of the United States to Japan, British lines have been unable to obtain cargoes of raw cotton for Japan as they did formerly, presumably because the Japanese merchants have taken to buying cotton *f.o.b.** in the United States—a device that has served Japanese shipping well in other commodity trades.

In 1935 and 1936 there was also severe Japanese competition in the important rubber shipping trade between the Straits and the east coast of North America, a trade previously carried on by four British and two American lines on a round-the-world basis, the return voyage being *via* the Cape or Suez. When the new competitive struggle was at an inconclusive stage, however, Japanese shipping was diverted as a result of the war with China, and the pressure from the Japanese lines relaxed.

The ambitions of Japanese shipowners in the Pacific area are revealed in the following passage from an article by the President of the Shipowners' Association of Japan, written in 1937:

As has been repeatedly stated, the stream of trade in the Pacific will expand tremendously in the future. But as there are no countries bordering the Pacific that are specifically shipping countries, our country with its favourable geographic position should obtain the carriage of most of this trade and it will be an excellent sphere of activity for our tramps. The tendency is for passenger traffic to increase daily in the future along with the

* "Free on board", that is to say, bought from the supplier in the country of shipment; contrasted with *c.i.f.*, "carriage and insurance free", that is to say, bought on arrival in the country of destination.

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economic and cultural development of the countries on the coasts of the Pacific. Therefore it is the duty of the passenger ships of our country to take an active rôle in this direction in the future. . . .*

These ambitions are legitimate, and we need not grudge them to Japan. But around the Pacific rim lie three great British Dominions and several important British colonies, and although these are not "specifically shipping countries" they are parts of a Commonwealth which commercially and strategically stands or falls by its strength upon the high seas, in mercantile marine as well as navies.

In 1936, about 19 per cent. of Australia's exports went to the Orient, whence she drew 17 per cent. of her imports, Japan being by far the most important Oriental market for Australian products, particularly wool. Of the liner trade between Australia and Japan, based mainly on the export of Australian wool, Japanese vessels carry about 80 per cent. There is only one British liner service from Australia to Japan, which operates three old vessels. This line has had to meet the increasingly severe competition of four Japanese lines, which operate more than a dozen vessels, including some of the most modern types, and are building more. There is a large trade in wheat and ore from Australia to Japan and China. The trade is carried almost entirely in tramps, and only a very small part of it in liners. Here again, an increasing proportion has been done in Japanese vessels. By purchasing wheat and ores *f.o.b.* in Australia, the Japanese merchant or agent is in a position to choose the vessel for shipment. There is no Japanese competition in the liner trade between Australia and the Netherlands East Indies and Malaya.

The proportion of New Zealand trade with the Orient is very much smaller than that of Australia and is almost entirely to

* International Marine Transport, Vol. XII of the *Complete Library of Railways and Communications*, published by the Shunkosha in Tokyo, September 1937. Chapter XII, Section 5. The writer significantly went on to draw attention to the American neutrality law, which stipulated that in time of war belligerents requiring American produce must fetch it in their own ships.

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and from Japan. Nevertheless both the proportion and the value are beginning to grow. . . . Almost the whole of this trade is carried in Japanese liners owned by one or other of the companies in the Australia-Japan Liner Conference.*

The shipment of wool and other Australian and New Zealand products *f.o.b.* contributes to the advantage of the Japanese lines and tramp-owners. In other sections of the traffic it is the competitive pull of lower costs and newer ships (to some extent subsidised under scrap-and-build schemes) that gains the day for Japan. It has not been easy to persuade Australian and New Zealand producers that in the long run it may not pay them to use the cheaper shipping facilities, since the disappearance of British shipping from those routes would not only weaken their defences as partners in a maritime empire but might also leave them economically at the mercy of monopolistic shipping and merchanting interests.

It is in the trade between Japan and the British countries of the Middle and Far East that the pinch of Japan's highly organised system of linked manufacturing, merchanting and shipping interests has been most keenly felt.

Japanese cargo liners and tramps carry a large trade in iron ore from British Malaya, and M.B.K.† does a trade in rubber between the same two countries. Very little of these trades appears to be in British ships, although the commodities carried are derived from British protected territory.

The Japanese lines which ply in the trades with India have their terminal either at Calcutta or Bombay. Almost the whole of these trades was formerly carried in British vessels, but Japanese vessels carry to-day approximately 50 per cent. of the Calcutta trade and 80 per cent. of the Bombay trade, and on both routes traffic is picked up at intermediate ports. The Calcutta-Japanese vessels carry no less than 80 per cent. of the cargo trade between Burma and Japan. The Bombay-Japanese vessels are offering increasingly severe competition with British shipping between Japan and Colombo, between Colombo and Bombay, and between Hong Kong and Bombay.

The Japanese trades to the Persian Gulf and to East Africa

* *British Shipping in the Orient*, p. 44.

† Mitsui Bussan Kaisha, a great Japanese business house which has a secondary interest in shipping.

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were formerly carried either in British or Japanese vessels to India, and there transhipped to vessels of the British India Company. Both trades are now conducted in Japanese vessels offering a direct service.*

II. THE BASES OF JAPANESE COMPETITION

THE Imperial Shipping Committee was at some pains to seek the causes of the relative decline of British shipping in the face of Japanese (and in some directions other foreign) competition in the Far East. German, Italian and United States ships are fairly heavily subsidised in different ways, French and Netherlands ships less so. Japanese subsidies have largely taken the form of subventions on the replacement of old tonnage by new. By the early part of 1937, three successive scrap-and-build schemes had resulted in the scrapping of some 500,000 tons gross of old tonnage and the construction of forty-eight fast new ships of some 300,000 tons gross. A fourth scheme, which came into operation in April 1937, provides for the subsidised construction of high-class passenger and passenger-cargo liners of not less than 6,000 gross tons and 19 knots speed, at rates of subsidy approximating in some cases to half the building cost. The subsidies, though payable by instalments spread over eighteen years, are to be paid in respect of construction during the four years 1937-41 of 150,000 gross tons of passenger vessels and 150,000 gross tons of passenger-cargo vessels, the total subsidy envisaged being over 50 million yen (£3,000,000 sterling at current rates of exchange). The Japanese Government has also enabled shipbuilders to raise loans at artificially low rates of interest. Compared with the assistance for building, subsidies for operation have been small. From 1931 to 1938, operating subsidies averaged about 13,500,000 yen a year, or say £1,000,000, only about half of which was paid for trans-oceanic services, the greater part of this sum being allotted

* *British Shipping in the Orient*, p. 35.

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to the trans-Pacific lines. Japan also pays a tramp subsidy at approximately the same rate as the British tramp subsidy, which was paid in 1935 and 1936, was then discontinued because freight rates had risen, and has now been renewed.

It is difficult to isolate the competitive effect of currency depreciation, since its incidence varies in the different items of shipping companies' costs. The effects of depreciation and the lower Oriental standard of living can best be taken together, as the Imperial Shipping Committee take them, in a comparison of British and Japanese cost schedules for building and operating ships of similar type. The Committee learnt that a Japanese cargo liner of some 6,000 tons gross, with Diesel engine and 12 knots speed, would have cost the equivalent of about £140,000 in 1936, and that a comparable British vessel would have cost about £160,000. Since 1936 the consequences of the China war have brought Japanese and British shipbuilding costs more closely together. The annual operating costs of a medium-sized British cargo liner were about £40,000, compared with about £35,000 for a similar Japanese vessel, with its lower scale of pay, victualling costs and expenses of management. This margin, though considerable, might not by itself be decisive. The Committee was inclined to view with greater apprehension the possible future effect of exchange-control systems, which may virtually oblige a shipper or importer, in the country exercising control, to ship in vessels under that country's own flag. The system has so far had visibly serious results in the Orient only in regard to German shipping. The stringent system of exchange control recently adopted in Japan has not yet been in operation long enough, or in sufficiently normal conditions, to enable the effect on the shipping trade to be estimated.

One of the most potent instruments of Japanese shipping competition is the close vertical and horizontal organisation of Japan's industry, commerce and transport.

Practically the whole of the large-scale enterprise of Japan is under the financial control of one or other of three great family

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businesses (known in Japan as "Zaibatsu,"* or money-groups) —Mitsubishi, Sumitomo and Mitsui. . . .

A single Zaibatsu can build ships in its own yard, operate them, provide them with fuel from its own mines or storage tanks, insure them and their cargoes, load and unload them, warehouse the cargoes and discount the warrants at its own bank. Its merchanting companies provide a considerable proportion of the cargoes carried, both outward and inward, and of these goods in turn a substantial part comprises raw materials for its own factories, or finished articles produced by those factories. . . .†

Horizontal as well as vertical organisation has also been important in the relations between Japanese industry and oversea shipping, more especially in the Bombay-Japan cotton trade. Some 97 per cent. of the Japanese cotton spinning industry is organised in an association called Rengokai, which has represented it in dealings with shipping firms. By contrast with this ordered system, British shipping and merchanting in the Far East are conducted by a host of independent and competing firms.

The Imperial Shipping Committee quote a number of cases to show the effect of Japanese commercial solidarity in the history of the various shipping conferences, which fix freight rates, regulate competition and maintain the system of deferred rebates to "loyal" shippers in the various Eastern trades. In the Bombay-Japan conference, for example, the original agreement, which was reached in 1888, gave the British line (the P. & O.) 39/60ths of the "upward" traffic (*i.e.* Bombay to Japan). By 1913 two Japanese lines, the N.Y.K. and the O.S.K.,‡ had obtained an allotment of 40 per cent. of the traffic, the share of the P. & O. being reduced to 28 per cent. The war brought about the retirement of the Italian and Austrian lines, and the three remaining members then agreed to share the traffic in equal thirds. The N.Y.K. had been

* There is a fourth Zaibatsu, Yasuda, but this is mainly interested in finance, and is not involved in shipping.

† *British Shipping in the Orient*, pp. 72-4.

‡ Nippon Yusen Kaisha and Osaka Shosen Kaisha.

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admitted after a prolonged struggle in which the decisive factor was the loyalty of the Rengokai to the Japanese line, coupled with the practice—still continued—of buying raw cotton in such a way that its ownership passed into Japanese hands before it left India. The O.S.K. was in turn admitted under pressure from the N.Y.K. In 1925 the two Japanese lines together used their influence to secure for still a third, the K.K.K.,* rights to participate in the conference, in the shape of a limited number of permitted sailings a year. Lately another Japanese line, the M.B.K., has come into competition with the conference lines, seeking to carry in one direction the products of Mitsui factories and in the other the raw material for them. Its admission to the conference is being supported by the N.Y.K. and the O.S.K., on condition that their own proportion of the trade is not diminished. A still further handicap for the P. & O. is the fact that the "upward" freight rates are fixed, not by the conference, but by agreement between the N.Y.K. and the Rengokai, and are settled at a level which is unremunerative to the British line.

That is a typical example of the way in which Japanese mercantile organisation and national solidarity have driven the wedge further and further into British shipping interests in the East. On the route between Japan and Australia the position is even worse; for the British line (the Eastern and Australian), which was once alone in the trade, now faces three Japanese competitors, takes only a 22½ per cent. share in a freight pooling arrangement, and is threatened with extinction altogether. It can afford neither to go on running its old ships nor to build new ones, in face of the kind of competition that it has to meet. As Mr. W. L. Hitchens, a member of the Imperial Shipping Committee, said in his chairman's address to the annual meeting of Messrs. Cammell Laird and Company:

Perhaps the greatest advantage that Japan has is a unity of purpose and a unity of direction and control which are

* Kokusai Kisen Kaisha.

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conspicuously absent where Imperial shipping is concerned. A rabble cannot stand up against a highly organised and well-led army, however efficient the units comprising the rabble may be. There is no unity of policy, direction, or control to be found among those States of the British Empire to whom British sea power in the Far East is a matter of life and death.

Because the root of the trouble lies here rather than in finance, the measures of government assistance to British shipping, announced by the President of the Board of Trade on March 28, valuable as they are, cannot by themselves be more than a palliative for the trouble in the Far Eastern shipping trade. The measures include a subsidy of £2,750,000 a year for five years for tramp shipping other than coasting vessels, on the understanding that an international scheme will be reached for adjusting the volume of tramp tonnage to the demand; the appointment of an advisory committee to consider applications for assistance from liner companies threatened by subsidised or otherwise unfairly aided foreign competition, on condition that the liner section of the shipping industry should organise itself to put up the required defence without government financial assistance if possible; the allocation of a maximum of £500,000 a year for the next five years to subsidise, on an appropriate scale, owners of new tramps or cargo liners (other than refrigerated or passenger vessels) ordered in the next few months from United Kingdom shipbuilders; the provision of £10,000,000 for loans to shipowners, on favourable terms, over a period of two years, for the purpose of building in Great Britain vessels of the same class; and the investment of £2,000,000 in suitable vessels on the United Kingdom register which, though still capable of service, would otherwise be sold to foreign owners or for breaking up, the object being to maintain such ships in sound condition as a reserve of tonnage for an emergency.

AN IMPERIAL AUTHORITY REQUIRED

III. AN IMPERIAL AUTHORITY REQUIRED

THESE comprehensive and costly measures cannot do other than strengthen the resources of United Kingdom shipping concerns all over the world, and enhance their bargaining power in negotiations concerning freight rates or the apportionment of trade between themselves and their competitors. But there are two reasons why, in the Far East, they can only be a preliminary reinforcement; why, indeed, even if subsidies enabled a whole fleet of new British ships to be built to compete with the fast modern Japanese vessels which to-day attract the custom of shippers in the Orient and the Pacific area, British shipping might still be unable to regain the position that it ought to hold in the wider interests of the British Commonwealth of Nations. The first reason is the fact, already stressed, that Japan presents a united front—merchants, manufacturers, shipping lines, government—to the disarray of British interests. The second reason is that not only the United Kingdom, but also other nations of the British Commonwealth—Australia, New Zealand, Canada, South Africa, India and a number of colonial governments—are intimately concerned with the problem.

In his statement of March 28, the President of the Board of Trade undertook that the Government would continue to take all possible steps to promote the interests of British shipping in connection with trade negotiations with foreign Governments; and that, where a request was made for assistance and where other parts of the British Commonwealth were concerned, the Government would bear in mind the Imperial Conference recommendation that the various British Governments should then consult together. The Imperial Shipping Committee, after stressing the need for greater co-operation between the producers and shippers and the shipping companies, and among the different shipowners themselves, and for a greater degree of local responsibility in the management of British shipping in

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the East, invited the "early and serious consideration by the Governments of the Empire" of a proposal to develop "some new form of organisation, appointed by the Governments concerned and specially charged to watch over British shipping in Middle and Far Eastern waters".

The proposal, though put forward by the Committee only for consideration and without recommendations on details, implies a far-reaching reform. At present there is no authority capable of formulating and carrying out a British Commonwealth shipping policy. The Imperial Shipping Committee is but an advisory body which undertakes specific investigations, without any executive power. The Imperial Conference considers shipping questions in general terms, but it meets infrequently and has no continuing authority, indeed no joint executive authority of its own even when it is assembled. The only sample of a permanent all-Commonwealth authority armed with administrative powers and the funds to carry them out is the Imperial War Graves Commission, whose record is one of unbroken success. Some such organ is urgently needed for shipping. A special case has been made out for action on these lines in respect of shipping in the Orient. Such an authority should be possessed of funds, subscribed in fair proportions by the participating governments, for the necessary subsidisation of shipping under any British flag, and should have authority to impose terms before the subsidies are granted or other aid given.

The latter condition is important because, unhappily, some of the British shipping lines have been far from doing everything possible for themselves in the way of economic management, modern methods, and service to passengers and shippers. Among travellers in the Far East, British lines are notorious for a lack of friendliness, evident will to please and attention to detail in service, which their competitors are able to show without sacrifice of anything but stiff-necked pride. If their commercial methods are equally unaccommodating it is no wonder

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that they have been losing ground. These and other defects must be remedied; for, if the British lines will not help themselves, no one else can help them. Yet that is no reason for failing to tackle at the same time the problem of Commonwealth co-operation, which is equally urgent.

The nations of the British Commonwealth that participate in the Eastern trades are jointly rather than severally concerned, first because their national prosperity is closely linked with the prosperity of the whole Commonwealth through strong ties of trade and finance, and still more, secondly, because the strength of the British mercantile marine (including vessels on the registers of all parts of the Commonwealth) is a vital defensive asset to a group of nations who live by the sea and will stand or fall by their power upon it. Their separateness of purpose in shipping matters is a danger to them all, because it undermines their ability to protect their rights and interests against more determined and more united competitors.

The Imperial Shipping Committee cite the history of the Java-Japan Conference as an example of successful defence against intense and concerted Japanese competition by firm, combined action by shipowners, merchants and government. It would be difficult—though it is highly necessary—to imitate this example in the trades in which British shipping has felt Japanese competition most keenly—difficult, because not one but several British Governments are concerned, and because there is often no sense of common interest between the exporters or importers and the shipowners. These obstacles must be overcome. That means a readjustment of ideas in many quarters, not least among the shipowners themselves.

India's co-operation is the most necessary, and the most difficult to secure, since she conceives of herself as the half-emancipated victim of a British shipping monopoly. If the full co-operation of the Government of India is to be secured for the defence of British Commonwealth shipping interests, and if Indian shippers and importers are

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to play their necessary rôles in that defence, then India must first feel assured that she stands on a footing of practical equality in shipping matters with other members of the Commonwealth, and that her own shipping will benefit as fully as the shipping of the United Kingdom and the Dominions from any effort in the face of Japanese and other foreign competition. This will presumably require the abrogation of the agreement between the British India company and the Scindia company, the premier Indian shipping line, whereby the latter undertakes not to interfere with the established oversea trades of the P. & O. and B.I. companies. But it requires still more a spirit of friendly and sympathetic co-operation between the British and Indian shipowners.

In Australia and New Zealand there is no such initial distrust to be overcome. What is needed there is a fuller appreciation of the meaning of shipping strength to the whole British Commonwealth, and of the short-sightedness of neglecting the shipping interests that serve them, simply because these interests are owned by United Kingdom capital. The Imperial Shipping Committee rightly describe a sense of partnership between the shipowners and the mercantile community as a condition of any effective competition with the Japanese in the Orient. The appointment of an all-Commonwealth body to mount guard over British shipping interests in the East would do much to focus popular attention on this matter as a problem of common concern to the British nations. But that should be only the start of a campaign of education, in the course of which many minor grievances of merchants against shipowners, or governments, would no doubt be brought to light and duly remedied; and British shipping lines themselves increase their efficiency, and improve their relations with passengers and shippers, modernising their outlook at the same time as they modernise their equipment.

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I. PUBLIC OPINION AND EUROPE

AN estimate of public opinion, such as this article presents, needs to be backed by some credentials. In recent months the writer has travelled over much of the East and Middle-West of the United States, after crossing the continent less than a year ago; while Washington, from which these pages are sent, is a cross-roads whither all regional viewpoints are conveyed by Congressmen and their constituents. Moreover, there has been developed in the United States during the last five years a remarkable instrument for measuring public opinion, the Gallup poll, which has been proved broadly accurate in several tests at the ballot boxes.

All these surveys show substantially the same things: that the American people want to stay out of war—that goes without saying—but that they also want to give all possible assistance to Great Britain and France, short of actually going to war. There is, moreover, a widespread belief that a new European war may be on its way, and a distinct fear that America will be drawn in eventually if war does come. Finally, there is an overwhelming support for the national defense program.

These boiled-down sentiments contain elements of paradox, of course. Some of the sentiments may cancel others. Thus, the fatalistic expectation that the United States would be involved in war if it breaks out makes vain the hope of remaining isolated. The desire to aid Great Britain and France cuts straight across the penchant for "neutrality" that exists simultaneously. Senator Borah, determined isolationist that he is, clarified the whole

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issue the other day when he said: "Haven't the people already made up their minds who is right and who is wrong? The thing that is uppermost in my mind is that there is no neutrality at this time because of conditions that exist in the world."

This American feeling has been steadily mounting, under the pressure of events. In the 'twenties, the prevailing viewpoint was isolationist. No more participation in foreign wars, said the man-in-the-street. As late as 1935 and 1937, neutrality legislation was zealously being written into the statute books. According to Dr. Gallup's polls, the American people clung to their isolationist straws all through the Ethiopian, Chinese, and Spanish crises. At the time of the conquest of Ethiopia, for instance, seven out of ten Americans said that they opposed the idea of joining with the League Powers in sanctions against Italy, even economic sanctions. Over the war in China, some two-thirds of the people—according to Dr. Gallup's weighted cross-section of the public—were opposed to sending war supplies to the Chinese or boycotting Japanese goods. "Hands-off" was the overwhelming attitude toward the Spanish civil war, and our embargo on arms shipments remained law until the end.

But Herr Hitler has changed the American public's mind. He has ended American reluctance to ship food and war materials to our former allies. Before Munich, a majority of Americans favored sending food supplies to the British and French in case of war but objected to sending war materials. After Munich, the majority for sending food supplies increased materially, and a majority swung over to the idea of shipping war materials as well. After the liquidation of Czechoslovakia in March, the vote was: favoring sending food supplies, 82 per cent.; favoring sending war materials, 57 per cent.

Let no one think that these ideas are limited to the Atlantic seaboard. The old notion that there was a

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fundamental difference between Eastern opinion and the Middle West has been strikingly disproved by the Gallup poll.

American concern for what is happening in Europe (writes Dr. Gallup) overspreads all sections of the country. In states like Minnesota, Wisconsin, Iowa, Kansas, Nebraska, Missouri and the Dakotas—strongholds of isolation sentiment in the past—an average of six persons in ten say that the United States should sell war materials to her former allies in case of war.

Uniform reactions in all parts of the United States were recorded after Hitler's moves against Austria and Czechoslovakia, and his repressive measures toward the Jews. Even if the Gallup poll were faulty at root—and most American political observers have been deeply impressed by its accuracy—the fact that it returns a uniform reaction is still significant.

An important majority—averaging 62 per cent.—in all parts of the country replied to questionnaires that they felt the totalitarian Powers would represent an immediate menace to the United States if they won. A Virginia schoolteacher said: "I'm in favor of sending food and war supplies to England and France. I don't see how the democracies could win without some help from us along that line—and if they lost it would only be a matter of time until we'd be hemmed in by the dictators ourselves." A Wisconsin salesman and war-veteran said: "I'd want to see the United States stay out, but I'd sure hate to see England and France go down. After all, they do stand for our way of life."

The people are more than six to one against sending American troops abroad. Here, perhaps, public opinion does not realize the consequences of its own un-neutrality, and gives way to wishful thinking. Thus, a New York state banker said: "We ought to help the democracies up to a certain point. But let's stay out of war. If Europe's foolish enough to start another one, it'll only leave America stronger in the end."

Moreover, the public is not convinced of the complete

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justness of the British and French case against Hitler. A sizeable minority think the allied Powers were unfair to Germany immediately after the war. The reasonableness of Hitler's claim for a route across the Polish Corridor and even for Danzig impresses American opinion, and toned down reaction against his Reichstag speech of April 28. A majority of Americans—according to Gallup-projected figures—would favor a new international peace conference if it would settle the claims of Germany and Italy in a manner that gave assurance of a just peace.

All these pollings and estimates mean that American public opinion in general supports President Roosevelt's positive foreign policy without necessarily being committed to details. Opinion, it may be hazarded, is about ready to go one step farther, and may have done so already. For, if the United States is so eager to keep out of war, why not keep out by assisting in every way to prevent the outbreak of war? That is the touchstone to support of the President's policies today. So long as the public is convinced that Mr. Roosevelt is sincerely and ably seeking to prevent the coming of war, it will support his policies. Such support was abundantly forthcoming when the President sent his message to Hitler; for the public felt that this was a peace gesture made upon a threat of imminent war. But for other actions, which seem more like moves in a game of power politics, there is far less public support. Indeed, there is a latent mistrust of Mr. Roosevelt's personal impetuosity and experimentalism when projected upon the international plane. If the idea once got planted, and was supported by events, that the President was playing politics with peace to support third-term ambitions, or that he was under the influence of "international bankers" (which is Henry Ford's personal euphemism for Jews), then public revulsion might go far and fast.

So far, however, the President has not got too far ahead of public opinion, and the dictators have been giving him

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the most powerful kind of assistance. When public opinion seems to lag, Berlin or Rome usually produces the shock that is necessary to spur it along. The increasing vigor of opinion is therefore almost entirely the result of events overseas. The President's "educational" campaign, without the help of events, might well have produced an opposite effect and made public opinion mistrust his motives.

The President's support is bi-partisan, and the polls record no substantial difference between Republicans and Democrats in their attitude on these issues. Isolationist leaders are to be found among the senatorial leadership of both parties. But the more vigorously Republican isolationists attack the President personally, the more likely are they to consolidate Democrats behind him. And, so far, isolationist attacks have shown a tendency to act like a boomerang. Thus, when Senator Taft, the other day, charged the President with trying to "ballyhoo" the foreign crisis in order to hide his domestic failures, he was severely rebuked by his own Republican newspapers.

The best definition, and the highest praise, for the President's current efforts came in a *Washington Post* editorial, which Mr. Roosevelt said was "very good, very clear, very honest". The editorial was written by Felix Morley, the *Post's* editor, a former Rhodes Scholar. He was interpreting the President's statement on ending a holiday in Georgia: "I'll be back in the fall, if we don't have a war"; and he emphasized "the tremendous implications of the impending catastrophe for every citizen of this country". Plainly referring to Senate isolationists, the article said:

In spite of the best-informed warnings to the contrary, many still believe that another world war might leave the United States relatively undisturbed. In spite of the virtual certainty of American involvement there are many who would seek to achieve isolation by panicky legislation, or to seek shelter behind other paper guarantees of immunity.

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Asking what Mr. Roosevelt meant by "we" when he said "if we don't have a war", the *Post* continued:

He undoubtedly meant western civilization. A war affecting its foundations would immediately affect us vitally, whether or not the United States was at the outset physically involved. . . .

Until it is started, another world war is not inevitable. It can still be averted if the free nations are willing to show that they will take a stand before it is too late. Pressure from the Rome-Berlin Axis will not ease until it reaches the point of serious resistance. Then only can a different and honestly conciliatory attitude be expected from the dictators. Nothing less than the show of preponderant force will stop them, for force is the only language which they understand. But, like less exalted bullies, force is to them a real deterrent.

In using the collective "we" the President told Hitler and Mussolini, far more impressively than he told Warm Springs, that the tremendous force of the United States must be a factor in their current thinking. He told the Axis powers that the Administration is far from indifferent to their plottings. He made it plain that a war forced by them would from the outset involve the destinies of a nation which, as they fully realize, is potentially far stronger than Germany and Italy united.

To make that plain at this crucial time is to help in preventing war. To make the dictatorships realize that there is a limit to unresisted aggression is in itself to set that limit. It is on that incontrovertible reasoning that the French have stiffened their policy. It is on that reasoning that the British are laying down a deadline. It is on that reasoning, through the application of which peace can be saved, that President Roosevelt properly links the United States with the eleventh-hour effort to avert a shattering disaster.

This was the definition of policy that President Roosevelt obviously could not utter himself, but upon which he did not fear to set his imprimatur. That indicates how far the United States has come in recent months. For Mr. Roosevelt is an acute politician, and he has experienced the hazards of getting too far in front of public opinion.

II. ARMS AND THE EAST

WHATEVER may be the minor or major divergences of American opinion over the President's broad policies, there is scarcely any disagreement at all over the

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armament program. And this factor, of course, may be decisive in the end. The present Congress will appropriate well over \$2,000 million for national defense. With its shipyards working at capacity, its factories producing modern military equipment at an accelerating tempo, and its aircraft industry soon to be placed on a semi-wartime footing, the United States is beyond any doubt far better prepared for conflict than at any previous moment in its peace-time history. These armed forces are of course an important element in the game of power politics. They are the United States' trump card. Their existence was what the President wished particularly to underline when he endorsed the *Post* editorial. The new navy is an important factor in the world balance of power, the potential development of land forces of the magnitude now planned makes possible their use in oversea conflicts, and the expansion of the American aircraft industry offers a vital source of supply for the European democracies.

On January 12, President Roosevelt delivered his national defense message. Within three months—and that is very short for American legislative action—Congress was more than halfway through completing authorizations and appropriations for the \$2,000 million annual building program. Two tremendous Bills have already been signed by the President: the \$358 million emergency army expansion authorization Bill, of which \$300 million is for a bigger American air force, and the \$513 million regular army appropriation Bill, which provides the funds necessary to carry the army through the first year of its expanded activities. The \$65 million naval base Bill has passed the House and at the moment of writing is on its way through the Senate. The regular naval appropriation Bill is on its way through the House, where the original estimates have been boosted to a current proposed total of \$759 million. A deficiency appropriation Bill including items not ready when the regular army budget was passed has now been brought forward, raising the

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totals by over \$116 million. A dozen other minor items of national defense are coming along. The navy has asked for two battleships of up to 45,000 tons. In all probability, within a short time the United States will have under construction eight capital ships of 35,000 tons or more.

Debate or public discussion of these gargantuan measures has been perfunctory. Isolationists have raised no outcry. The army expansion Bill passed the House by 367 to 15 votes, and 77 to 8 in the Senate. The naval base Bill went through the House by 368 to 4 votes. The House refusal to appropriate \$5 million for developing harbor facilities in Guam is likely to be reconsidered.

The navy now being built is considered sufficient to guarantee an area of predominance, within which American forces would be reasonably free to operate, extending from the Aleutian islands off Alaska to a point west of the Hawaiian islands, to Samoa, the Panama canal, the Caribbean, and up the north-east coast. Development of Guam would greatly extend the line in the Pacific, and further acquisition of bases in and adjacent to the Caribbean would put a salient on the American line in those waters.

The American fleet has recently been concentrated in the Pacific. Why? Perhaps the best answer was given indirectly in an article that Lord Lothian wrote in the *London Observer*. He said:

Great Britain in the past has seldom had more than one, or at most two, naval enemies to meet at the same time. But to-day, and so long as the anti-Comintern Powers exist as a military combination, she may have to face a naval war in the North Sea, in the Mediterranean and the Far East at the same time. That is to say, a two-armed man may have to fight a three-armed enemy—a most difficult and, in some circumstances, an impossible task.

Transfer of the American fleet to the Pacific, with much of it to be concentrated at Honolulu, means that the United States is freeing Great Britain from one of its three potential enemies. The American fleet is taking up the job in the Pacific. It is quite apparent that, even in the

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present evolving state of national opinion, the United States Government cannot give a hard-and-fast guarantee that its fleet will protect Malaya and Australasia. Public opinion will not support guarantees. But statesmen have to make their calculations on the basis of other factors. And in view of all the circumstances it is clear that the United States is taking a stand against Japan. Mere transfer of the fleet, the cables from Tokyo speedily indicated, prevented Japan from cementing its alliance with the Axis.

American naval authorities recognize the difficulties of operation in Far Eastern waters. But their fleet is tailored for long-range work. It is already based at Pearl Harbor, almost in mid-Pacific. If the Guam proposal goes through, it will present a far stronger threat. And there is Singapore to be remembered. Over a year ago an important American officer conferred with the Admiralty in London, and explored the possibilities of naval co-operation in the Far East. There is little doubt that part of the American fleet would move into Singapore in the event of a Far Eastern threat, and might even go there if Japan made any overt action against the Dutch or British possessions in Malaya. Indeed, some American officers believe that the fleet at Pearl Harbor would constitute a real deterrent to Japanese operations as far south as the Dutch East Indies.

A stronger British and French line in Europe will certainly stimulate a stronger American policy in the Far East. If the two hands are vigorous and firm in Europe, the one hand will doubtless be firm in Asia. Development of a more active American policy in Asia is fairly recent. Hitherto, interest has been concentrated on Europe. But it is beginning to be seen that if Great Britain's hands can be freed in Asia her European policies will grow more resolute. Hence the importance of sending the American fleet to the Pacific one day after the President's message to Hitler, shortly after the British guarantee to

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Poland, and shortly before the decision to apply conscription. The interaction of events was very clear. That is the way the United States can co-operate with the grand alliance led by Great Britain and France.

III. THE PRESIDENT'S HOLD

AND now what of internal affairs? The President's authority in Congress is no weaker than it was three months ago, and events have perhaps improved his position. The jockeying into position for the presidential nominations, still a year off, is vigorously proceeding, and produces much uncertainty. Before many recent quadrennial elections, the nominees of both parties were pretty clearly indicated at this stage in the cycle. To-day we are in the fog.

President Roosevelt maintains complete poise and equanimity. The graver world developments become, the more likely he is to be nominated and elected for a third term. Such a result is by no means a probability. Far from it. But it is significant that politicians constantly agree that the only circumstances under which the President could be nominated and re-elected would be a war or a crisis threatening war. Mr. Roosevelt may therefore be enjoying a little cosmic jest. The reason for his easy inaction may be that he expects to walk in at the last moment, when "Draft Roosevelt" has become inevitable. This is political speculation. It is still out of tune with actual events, which show a strong reaction in the Republican direction. Much of the President's domestic program is bogged down.

However, in certain fields which count very much, he is making real progress. The bare bones of a reorganization Bill went through Congress. Contrary to expectation, the President has been able to make a good deal of the skeleton. He is issuing three sets of plans, one for amalgamating many of the scattered bureaus and agencies that

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make up the octopus federal government, another for re-shuffling many functions between the established departments, and a third for bringing about order within single departments. For many decades, genuine reorganization of the federal government has been defeated by numerous selfish interests. We put up with disorder because it fitted in with the American principle of checks and balances. But now the President is going ahead with changes, long overdue, which will modernize the federal plant, will "keep the tools of American democracy up to date", as Mr. Roosevelt said in an eloquent message to Congress. He was seeking, he said, "to make democracy work—to strengthen the arms of democracy in peace or war and to ensure the solid blessings of free government to our people in increasing measure". Even in this message on domestic affairs, the President emphasized "or war," and he further said:

In these days of ruthless attempts to destroy democratic government, it is baldly asserted that democracies must always be weak in order to be democratic at all; and that, therefore, it will be easy to crush all free states out of existence. Confident in our Republic's 150 years of successful resistance to all subversive attempts upon it, whether from without or within, nevertheless we must be constantly alert to the importance of keeping the tools of American democracy up to date. It is our responsibility to make sure that the people's government is in condition to carry out the people's will, promptly, effectively, without waste or lost motion.

In achieving these practical and widely extended reforms, toward the end of his present term of office, the President is setting up a real monument to himself. Of no less significance is the final re-shaping of the Supreme Court. Four Roosevelt appointees now sit on the bench, joined by another—Mr. Justice Stone—who substantially agrees with the general viewpoint of the new legal liberalism. Therefore the basic objectives which the President sought in the Court fight of 1937 have now been attained. He has re-fashioned the tribunal for some years to come,

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perhaps for many years, and it is quite possible that he will have one or two other appointments to make. The Court is pointed toward a new interpretation of the basic law, a flexible view on the constitution, a lessening of legalistic interpretations of corporation rights, and a firm orientation upon the modernized Holmes doctrines. Historically, President Roosevelt's achievement with the Supreme Court may be one of his greatest domestic successes. His threat to "pack" the Court in 1937 plainly had a considerable, if indirect, effect on the result; for the voluntary retirements that caused three of the four vacancies took place in response to the wide public outcry, not in support of the President's specific method, but in favour of some sort of Court reform.

IV. THE VISIT OF THEIR MAJESTIES

AMERICANS look forward to the impending visit of Their Majesties King George and Queen Elizabeth with genuine and eager interest, and a gratifying degree of comprehension. That is to say, few people are making the blatant charge, which might once have been widespread, that the visit is for propagandist purposes. The American people are a little surer of themselves, perhaps, than when this charge would have been general. The visit has been handled very discreetly, with little fanfare, and few public appearances. It is indeed a difficult problem for those having it in charge, especially in connection with press coverage, but the plans for the tour minimize all such difficulties.

It is fairly safe to conclude that the trip will be carried off in the same spirit. President and Mrs. Roosevelt have a sure touch for these things, and it is certain that the engaging modesty of Their Majesties will remove the obvious difficulties of a visit to the United States. More seriously, Americans are likely to appreciate the compliment of the visit all the more for its brevity and absence of

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parading; and its symbolism at this moment in world history is likely to be all the more deeply felt for being less emphasized.

Designation of the Marquess of Lothian as new British Ambassador here evoked a warm response in the many circles where Lord Lothian is well known. Not for many years, it was universally commented, has there been the prospect of a British Ambassador here with such wide knowledge of the United States. Newspapermen, in particular, looked forward to the change because for some time past the British Embassy has maintained an aloofness which has discouraged contact, while Lord Lothian is already an old friend to many in the press corps here. On his many visits to Washington, Lord Lothian usually made it a point to visit Capitol Hill, and he has plenty of friends in the Senate, among them many isolationists. To some perceptive observers, Lord Lothian's coming is particularly significant because he understands so well the viewpoints of all the member nations of the British Commonwealth.

His continuing interest in Americans and their ideas (wrote the *New York Times*) has been vouchsafed by his work as secretary of the Rhodes Trust, which administers the Rhodes Scholarships, and as editor of *THE ROUND TABLE*, a periodical which has had as one of its purposes the fostering of a clearer understanding and a closer harmony of interest among the English-speaking peoples. He will now have an opportunity to pursue this aim on a much grander scale, at a time when there is no more important mission in the world than to place the relations of Great Britain and the United States on the basis of complete frankness and mutual confidence.

United States of America,
May, 1939.

THE DEFENCE OF THE NETHERLANDS INDIES

By a Netherlands Correspondent

I. THE STRENGTH AND WEAKNESS OF JAPAN

POLITICAL developments in the Far East since the middle of the nineteenth century have not left the Netherlands colonial empire in east Asia undisturbed. But it is principally the world political contest of the last few years that has directed public attention to this rich archipelago and to the place that it occupies in the strategy of the Powers. This is not because armed conflicts are staged or threatened in the Far East itself, but because each fresh complication in foreign politics affects the course of events elsewhere, each move on the political chessboard being made in the light of this world-wide interdependence.

The outstanding factor in Far Eastern affairs has been Japan's rapid rise, in little more than half-a-century, to the position of an industrial and commercial maritime Power of the first rank, navally and militarily almost impregnable. Consequently, Japan's strategic position, with its closely interwoven geographical, political, economic and ideological strands, must form the background for any study of defence problems in that part of the world.

A glance at the map of the Pacific and its coasts * shows that the key to strategy in that wide stretch of water is the possibility of a naval concentration in its western part. Here Japan's position is nearly ideal. On one side, she looks out upon a vast ocean, a great part of which she can command with a powerful navy based on well equipped and

* See p. 533, above.

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fortified home ports; while for raids she has at her disposal the Kurile islands in the direction of the Aleutians, Pelew in the direction of New Guinea, and the Marshall group in the direction of Hawaii; and finally the Luchu islands, with Formosa and Hainan, pointing from the China seas to Hong Kong and Singapore. On the other side Japan faces only inland seas, behind which lie extensive territories—Korea, Manchukuo, North China—which are under her command or suzerainty and which constitute her economic province.

The British Empire, by contrast, with its interests spread throughout the world, divided by oceans, requiring everywhere the protection of the British navy, possesses in eastern Asia one strong naval base—Singapore—and one advanced point of support—Hong Kong. The latter is very vulnerable, leaning as it does against mainland territory occupied by Japan, and with Hainan, also in Japanese occupation, threatening the flank of its communications with Singapore. On the other side of the Pacific, the United States, 5,000 miles distant, has at present only one well equipped and fortified advanced base, Hawaii (Pearl Harbour), which is no nearer than 3,400 miles from Yokohama. Part of the American fleet, moreover, will always have to remain in the Atlantic. The third interested great Power is France, as the imperial guardian of Indo-China. She has bases at Saigon, Kamranh bay and the Gulf of Tonking, the last of which, however, is liable to be cut off by Hainan. France has a strong navy, but it is almost entirely confined to the Mediterranean and west European seas. Farther away are Australia and New Zealand, with comparatively feeble naval forces and mainly dependent for protection on the British navy.

In Japan's strategic position there are a few weak points. In the first place, she lacks raw materials and needs oversea outlets for her industries; to this point further reference will be made later. Then there is the Russian Asiatic mainland, with Vladivostock as its port, from which the

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Japanese islands can be threatened by air raids, and the Japanese mastery of the sea by submarines. In the future, a third potential menace might arise from the north-east, in the shape of a Russo-American combination, with the Aleutian islands and Petropavlovsk in Kamchatka as starting points. But the favourable factors outweigh the unfavourable. No political combination is conceivable that could compel the Japanese fleet so to spread itself that its hegemony of the western Pacific would be lost from the start. Japan has a maritime strategic position that makes invasion by armies impossible. An oversea expedition of the necessary size would require an absolute command of the sea, as well as points of support near the Japanese Empire, neither of which conditions can be fulfilled.

Japan's unique position is the decisive element in the strategy of any conflict that may take place in the Pacific. This conflict, if it comes, will be a naval one, a struggle for mastery of the seas, and for the destruction, on the one side, and on the other the protection, of Japan's vital oversea communications. Only economic exhaustion of the island Empire could lead to her defeat. That this method would certainly be effective in the long run is the conclusion to be drawn from Japan's dependence on her import and export trade for her enormous requirements of raw materials and for the sale abroad of the products of her industries.

It is not necessary to enlarge on this problem to realise that, if Japan's communications with countries other than Manchukuo and China were cut, once existing stocks were exhausted there would be a scarcity of mineral oils (fuel oil), bauxite, rubber, tin, nickel, cotton, wool and possibly iron ores—not to mention the stoppage of the export trade, which has always been regarded as a vital factor in Japan's existence. A successful attack on Japan's communications with her own overseas territories and with the Asiatic mainland, moreover, would make impossible the supply of coal, ores and oils from China and Manchukuo.

Even an economic bloc consisting of Japan, Manchukuo

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and China would be dependent, under present circumstances, on imports of mineral oils, bauxite, rubber, nickel, cotton and wool, of which the Netherlands Indies are among the principal suppliers, as well as the United States, Australia, British India and South Africa. In this connection, too, there are many shipping lines to and from Japan which call at the East Indian islands or pass close to them.

II. THE IMPORTANCE OF THE INDIES

THE Netherlands Indies archipelago forms, so to speak, a bridge between India, Malaya and Indo-China on the one hand and Australia on the other. Two of the three sides of a naval triangle, the corners of which are situated at the naval bases of Singapore, Hong Kong and Port Darwin, pass through the Netherlands Indian seas and territories. These islands produce raw materials of vital strategic importance, such as oil, tin, rubber and bauxite. They are the link between two large oceans crowded with merchant vessels. Here many of the shipping routes converge in narrow channels between the islands.

Apart from the Panama and Suez canals, there are few spots so sensitively situated as the Netherlands Indies. At that point, in any Pacific conflict, would be staged the struggle to protect or block the trade routes, to attack the enemy economically, to destroy his arteries, to prevent him from undertaking military expeditions. The Malay archipelago may become the theatre of a war for raw materials.

The traditional policy of the Netherlands Government is one of independence. The Netherlands takes care not to be mixed up in quarrels between other nations. It does not desire alliances, but wishes to be and to remain itself, and to have normal relations with all countries. This policy requires the maintenance of strict and unshakable neutrality. If war should take place, the rules of neutrality would then be interpreted and applied impartially in every direction. Strength is necessary in order to prevent that

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neutrality from being infringed by others and to counteract any such infringement.

There is nothing in which the people of the Netherlands are so united as in this conception of neutrality. The League of Nations, respected as its ideal of collective security may have been, did not succeed in undermining the Netherlands policy of independence. In 1935, it is true, during the Italo-Abyssinian war, the Netherlands faithful to the Covenant of the League, joined with many other countries in economic sanctions against Italy. But as recently as 1927, when the League was still in the full bloom of its short-lived career, the Netherlands Government drew up rules for defence in the Indies which were based on the principle of maintenance of neutrality. It was realised that in this extensive island empire small auxiliary ships for patrol and similar services were not sufficient, and that a more powerful force was necessary for preventive and repressive purposes. The main object was to be and to remain neutral. If the Netherlands were involved in a war, the oversea territories were to be defended "with the means available for the maintenance of neutrality".

Other factors justified this somewhat negative policy in 1927. The political atmosphere was calm. There were no threats of war in Europe and no direct danger in the East. Germany was still a country vanquished after an exhausting war; Italy did not yet play a preponderant rôle in the Mediterranean; in Japan, internal political conditions favoured peaceful economic expansion, combined with a moderate foreign policy towards China. The Washington naval treaty had limited Japan's strength on the high seas. Though she had become the mandatory Power for the ex-German South Sea islands, and had thereby stretched out her tentacles to the south, she was prevented by the terms of the mandate from fortifying these islands and turning them into naval bases; and the Washington treaty added a like prohibition regarding her other island possessions in the Pacific. This treaty also led to a declaration

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by Great Britain, the United States, Japan and France that they would "respect the rights of the Netherlands in relation to her insular possessions in the region of the Pacific Ocean". Singapore was being developed into a first-class naval base; the political situation still allowed Great Britain to concentrate her fleet in east Asiatic waters if need be. The Preparatory Commission for the Disarmament Conference was sitting, and although it did not give much promise of success there was nevertheless a general tendency, which had originated at Washington, to reduce naval armaments.

In the then existing circumstances, a small but efficient Netherlands navy, holding to some extent the balance between belligerents, would have been a factor of some importance. It would have constituted a desirable ally, or would have served to prevent violations of neutrality. The Netherlands therefore built a fleet of small vessels, of which the submarine as a torpedo arm was the core, and which was completed by the addition of some light cruisers, destroyers and seaplanes. To the Netherlands Indian army, numbering two divisions in Java, was entrusted the maintenance of neutrality and defence against invasion. The most important points in the outer possessions, such as the oil ports of Balikpapan and Tarakan on the east coast of Borneo, were fortified and garrisoned. Otherwise, the task of the army was to preserve internal order.

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A COMMITTEE appointed by the Government in 1912 had reached the conclusion that the defence of the Indies required a strong battle fleet, consisting of five dreadnoughts, six scouts and eight destroyers, as well as submarines, torpedo boats and minelayers. At that time, political conditions in Europe were gradually becoming more critical, and a conflict seemed to approach that would confine the British and French navies to European waters,

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with all the consequences which this would entail in the Far East. The committee's report was not acted upon because soon afterwards the world war broke out and the Netherlands succeeded in remaining neutral. The strain placed on the navy in the Indies from 1914 to 1918, in spite of the fact that the actual theatre of war was so far away, exposed its numerical weakness; nevertheless, the programme recommended by the committee remained unexecuted.

In 1930, the strength of the navy in the archipelago was definitely fixed on the basis of the 1927 programme referred to above. It was to consist of 3 light cruisers, 2 flotilla leaders, 12 destroyers, 16 submarines and an air force of 60 seaplanes. Small craft for local defence, such as gunboats and minelayers, would complete the fleet, a part of which would form an unmanned reserve. In 1933, when economic conditions became unfavourable, another government committee was appointed with instructions to report how 30 million florins could be economised on the defence budget for the Netherlands and the Indies.

Gradually, however, the inadequacy of the 1930 programme became obvious, and it was realised that the relative strength of the Netherlands navy declined as the political outlook grew more menacing and rearmament in other countries became the order of the day. Germany threw off the shackles of Versailles. Italy demanded territorial expansion as well as the command of the Mediterranean, and conquered Abyssinia in spite of sanctions and a British naval concentration. In Japan, the imperialist idea made headway, and the influence of the army greatly increased, leading to the conquest of Manchuria, to penetration in North China, and eventually to the present war with China. Ideological factors, ranging "the totalitarian States against the democracies", and the emergence of a Japanese Monroe doctrine for the Far East, where a "new order" was to be created under the exclusive authority of Japan, began to cause irritation and

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uneasiness in Holland. The League of Nations weakened, and of collective security practically nothing remained.

Since 1937, following Japan's denunciation of the Washington naval treaty, there have been practically no treaty restrictions on naval building, and the liberty to construct naval bases in any part of the Pacific zone has been restored. The United States, furthermore, has decided on withdrawal from the Philippine islands; after the expiry of the 10-years transition period laid down in the Tydings-McDuffie Independence Act, the Philippines are to become a completely independent Commonwealth. After the formal declaration of independence, however, negotiations will take place for the retention of an American naval base in the islands. The desire of the Philippines to be independent has probably been moderated, since the Act was passed, by the symptoms of Japanese imperialism and by recognition of the economic troubles that will result from the loss of a protected market in America. Moreover, the tendency to extend the chain of American naval bases in a westerly direction from Samoa *via* Midway island to the Aleutian islands (Dutch Harbour), with Guam as an advanced post, does not point to withdrawal. Nevertheless it would be dangerous to rely on rapid and decisive action by the United States in the western Pacific.

The general political situation, and the feverish rearmament that is taking place in almost every country of the world, have profoundly altered the trend of public opinion in Holland. The Netherlands people are now keenly in favour of strengthening defence at home and overseas by all possible means as quickly as possible. However, it takes time to make the defence forces equal to the heavy task that they will have to fulfil in the Mother Country and abroad. Armament manufacturers and shipbuilders are overloaded with orders, prices are high and deliveries slow. Even the modest naval programme of 1930 is in arrears, though the leeway is being made up. Coast defence at

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home, and the protection of merchant vessels, are problems still to be dealt with.

The Netherlands Indian army has been strengthened with modern equipment and with an efficient air force, consisting principally of bombers. But the vital and vulnerable naval position of the archipelago continues to call for anxious attention. The present strength and composition of the navy, based on the 1930 programme, do not give security. The fact that the British and French fleets, at least at the outset of a world war, must remain concentrated in European waters; uncertainty about the future of the Philippine islands, and an equal uncertainty about American naval action in the south-western Pacific; Japan's southward penetration, which already approaches the Equator, now that Hainan and the Spratley group have been occupied; the fortifying of the Japanese mandated islands: all these factors combine to intensify the uneasiness felt by people in Holland, who realise that an attack on their tropical Empire must now be considered a possibility.

In an archipelago as extensive as the whole of Europe, land forces alone cannot assure security. A fleet strong enough to contest unaided the command of the local seas is indispensable. In a naval war, the aggressor will have to reckon with the great Powers, even though these may be unable to have the main body of their ships on the spot in the early phases of the war. In order to be on the safe side, he will therefore have to employ a much greater force of ships than the force opposed to him, greater in numbers and in types. But the ships thus indicated as necessary are precisely those which he will be most anxious to keep intact, in order to meet the menace which sooner or later he is sure to have to face from another and more powerful quarter. A Netherlands battle-fleet, even of moderate size, would therefore have a great preventive value.

Hence the demand which is making itself heard in the

press and Parliament of Holland for the addition of battle-cruisers to the ships in commission and on the stocks. The following are already in course of construction: two 8,300-ton cruisers, one light cruiser of 3,300 tons, four destroyers, and nine submarines, as well as a number of small craft. If two or three battle-cruisers of between 20,000 and 30,000 tons are added, the entire strategic aspect in the Far East will change. In view of the well-known character of Netherlands policy, this naval effort will not only benefit the Netherlands but will equally serve the interest of all peaceable countries.

CANADA AND THE WAR DANGER

I. PARTY LEADERS AND THE CRISIS

THE ominous aggravation of the international tension has impelled the political leaders and the people of Canada to give careful consideration to the possibility of their country's becoming involved in another general war.

Under the present régime at Ottawa, there has been a persistent disposition to treat foreign affairs as secret mysteries, the conduct of which must be reserved for the Minister of External Affairs, who in Canada has always been the Prime Minister, and his officials. Not only is the public rarely given information through official communiqués, but Parliament also has been sedulously discouraged from inquiring into the general foreign policy of the Government and its actions in this field. Undoubtedly the motive for this secretive attitude can be found in the justifiable conviction of Ministers that, on account of the sectional cleavages of the country, commitment to any definite line of foreign policy could not fail to breed bitter domestic controversy and impair Canada's national unity, whose maintenance they have always held to be a paramount consideration.

Consequently, from the date of the September crisis until the meeting of Parliament on January 12, the Canadian public received only the scantiest enlightenment from its Government about the international situation. Both the Prime Minister, Mr. Mackenzie King, and the Conservative leader, Dr. Manion, gave their warm commendation to the settlement achieved at Munich, and bestowed high praise upon Mr. Chamberlain for the part that he had

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played in it, but thereafter they both relapsed into almost complete silence on the subject of foreign affairs. Nor was much enlightenment forthcoming from the debate on the Address. Dr. Manion made no serious reference to the international situation, and Mr. Mackenzie King contented himself with some brief *dicta* on the subject. A passage in one of his speeches, however, attracted widespread attention. After declaring that before Canada entered into any war Parliament would be consulted, Mr. King proceeded to cite with approval certain quotations from a speech delivered by the late Sir Wilfrid Laurier during the debate on the Naval Service Act in 1910. The most important of these quotations ran as follows:

If England (said Sir Wilfrid) is at war, we are at war and liable to attack. I do not say that we will always be attacked; neither do I say that we should take part in all the wars of England. That is a matter that must be guided by circumstances upon which the Canadian Parliament will have to pronounce, and will have to decide in its own best judgment.

And to this pronouncement of his predecessor Mr. Mackenzie King gave his clear endorsement in these words:

It was a statement of the Liberal policy which was accepted then, a statement of the Liberal policy as it has been followed ever since. I wish to give it as a statement of the Liberal policy as it is to-day and as it will continue to be under the present Liberal Administration.

Now the question of Canada's freedom of decision in the event of the outbreak of another general war had for some years past been a subject of acute controversy among constitutional pundits; and here, apparently, was the Prime Minister interpolating in his speech a deliberate statement of policy ranging his Government on the side of that school of thought which held that Canada had no alternative but to accept the status of belligerency as soon as Great Britain herself assumed it.

Such a pronouncement, however, was exceedingly unpalatable to the isolationists in the Liberal party, who contended that, if the Statute of Westminster had any

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validity, Canada was entitled to avoid the status of belligerency until she acquired it by her own free decision. One of their leaders, therefore, Mr. J. T. Thorson, K.C., a former Rhodes scholar who holds a Manitoba seat, challenged the doctrine endorsed by his leader by introducing as a private member's measure a short Bill, inviting Parliament to affirm that Canada should not assume the status of a belligerent except through a declaration of war by His Majesty with special reference to Canada and on the advice of his Canadian Ministers. Its submission was followed by the publication of a long manifesto advocating the immediate enactment of the Bill in order to clear up a situation of uncertainty and to give Canada unquestioned control of her international policy. The manifesto was signed by an impressive list of members of the Canadian "intelligentsia", including eminent lawyers, professors, leaders in business, heads of agrarian associations and clergymen. But the Bill itself did not come up for discussion until the completion of the destruction of Czechoslovakia as a separate State had produced a fresh crisis of the utmost gravity in Europe.

This startling event, and the speech delivered on March 17 by Mr. Chamberlain in Birmingham, in which he called for the support of all democratic peoples to checkmate further aggression, evoked a demand from the *Toronto Globe and Mail*, the *Ottawa Citizen*, and other newspapers for a declaration of the Government's attitude towards the new situation. As public opinion had obviously become restless, Mr. Mackenzie King responded with a brief statement to the House of Commons on March 20. His position was difficult, since he had to admit the collapse of the policy of appeasement, to which he had given his blessing; he deplored, he said, the wanton and forcible annihilation of Czechoslovakia and the evidence that it provided of Herr Hitler's complete untrustworthiness. He declared that he was ready to accept Mr. Chamberlain's proposal that the democratic countries should consult

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together concerning the measures to be adopted to cope with the new situation, but he was careful to emphasise that before any undertakings could be expected from Canada the issues must be clarified, in order that the Canadian Government, Parliament and people might judge them on their merits.

If (he said) there was a prospect of an aggressor launching an attack upon Britain with bombers raining death upon London, I have no doubt what the decision of the Canadian Parliament would be. We would regard it as an act of aggression, menacing freedom in all parts of the Commonwealth. If it were a case on the other hand of a dispute over trade or prestige in some far-off corner of the world, that would raise quite different considerations.

Then, aware of the restlessness in the ranks of his own party and the volume of public sentiment behind Mr. Thorson's Bill, he qualified his earlier subscription to the Laurier doctrine that "if Great Britain is at war, Canada is at war". He explained that Canada would never be automatically plunged into war without the consent of her Parliament, nor could her co-operation be taken for granted.

The form of such co-operation (he said) and the contingency in which it may arise are questions which the Government will examine in consultation with other Governments. It will report its findings to Parliament, which has the sole and responsible authority to speak for Canada on such grave issues. I still believe in Parliament as the most important of our national institutions, and in the supremacy of Parliament, especially when the issue is one of peace or war.

Dr. Manion, the Conservative leader, had issued a statement of his views on the previous day, pledging the co-operation of the Conservative party in any measures that the Government might deem it necessary to take in collaboration with other countries for the frustration of further aggression. The speech with which he followed the Prime Minister in the Commons was largely an elaboration of views already made public. His condemnation of German policy was much more vigorous than Mr. Mackenzie King's: after expressing the view that Herr Hitler was "mad with the lust of conquest and aiming at world

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domination", he declared that the time had now come for all Canadians to sink their political differences in a common national front. They should proclaim to the world their desire for a solid alliance of all the democratic countries to halt the international criminality of the fascist Powers. He vigorously maintained that a repetition of the last bloody war, of whose horrors he had had personal experience, could now be avoided only by a resolute effort on the part of all democratic, civilised and Christian peoples to build up without delay a genuine system of collective security, which would compel Herr Hitler "to stop, look, and listen". But, with a weather eye on Quebec, he stopped short of advocating any specific pledge of support to the United Kingdom Government, and thereby disappointed the imperialist elements in his party, who had hoped for a definite declaration in favour of the solidarity of the whole Commonwealth behind a common programme.

It was left to Mr. Woodsworth, the leader of the C.C.F.* party, to argue that the democratic nations had landed themselves in their present plight because they had declined to take seriously the principles underlying the structure of the League of Nations or to live up to their obligations under its Covenant. He went on to suggest some practical measures for the embarrassment of the dictatorships. He urged that the Canadian Government should immediately prohibit the export of any war materials to Germany, impose a surtax upon imports from all aggressor countries, and assume a decent share of responsibility for the hordes of unfortunate refugees, of whom only meagre contingents were being reluctantly admitted to Canada.

II. REACTIONS IN QUEBEC AND ONTARIO

THE pronouncements of the party leaders produced a flood of comment in the press. The Prime Minister received unexpected commendation from the Montreal

* Co-operative Commonwealth Federation.

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Gazette, which declared that he had defined Canada's position in a manner calculated to please patriotic Canadians, but another Conservative newspaper, the *Ottawa Journal*, sarcastically asserted that the same sort of pronouncement as Mr. King and Dr. Manion had made might have come from the leaders of some non-British democracy like Sweden. They had offered, declared the *Journal*, no evidence of a realisation of Canada's responsibilities as a partner in the British Commonwealth. The *Toronto Globe and Mail* (independent Liberal), while it found in Mr. Mackenzie King's speech some encouraging acknowledgment of Canada's obligations, regretted that he had not promised in decisive language the wholehearted co-operation that Mr. Chamberlain obviously desired from all the nations of the Commonwealth. The *Winnipeg Free Press* (independent Liberal) took the view that the speech represented an effort by the Prime Minister "to get back to the pre-January position—the supremacy of Parliament"; it noted particularly the absence of any restatement of the Laurier thesis that the connection with Great Britain brought Canada automatically into any British war. In the French-Canadian press the comments were severely critical, and they reflected an uneasiness that soon found overt expression in Quebec.

The St. Jean Baptiste Society, which is the great social organisation of the French-Canadian people, lost no time in inviting eight other French-Canadian organisations, including the Canadian Federation of Catholic Workers and the Catholic Farmers' Union of Quebec, to send delegates to a meeting in Montreal; this gathering unanimously adopted a resolution expressing disapproval of the utterances of both Mr. Mackenzie King and Dr. Manion, and warning the Government that French-Canada was unalterably opposed to the country's participation in foreign wars. Then, both in Montreal and in Quebec city, bands of young French-Canadians, mostly university students, staged demonstrations of protest, shouting "No foreign

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war" and "Down with conscription". At Montreal they proceeded to the City Hall and extracted from Mr. Camillien Houde, the arch-demagogue of Quebec, who is now serving his fourth term as mayor of Montreal, a promise that he would lead any anti-conscription movement which they organised. At Quebec they swarmed into the galleries and floor of the chamber of the provincial legislature and clamoured for the immediate passage of a resolution, introduced by Mr. René Chaloult, a Nationalist member, against Canada's commitment to another overseas war. Mr. Duplessis, the provincial Premier, told them that although his views on this issue were well known he would not be stampeded into premature action by such a disorderly agitation. It should be added that these demonstrators were quite irresponsible, bearing the authority of no French-Canadian organisation. Those who invaded the Quebec Chamber represented themselves as members of the French Canada Catholic Youth Congress, but they have been publicly repudiated by the real leaders of the Catholic Young Men's League. Meanwhile, at Ottawa, French-Canadian members were freely expressing in the lobbies their anxiety about the Ministry's tendencies, and one of them submitted a formal written question about the Government's response to the resolution of the French-Canadian societies.

In Ontario, on the other hand, where imperialist sentiment has a firm root in the traditions of the United Empire Loyalists, the original settlers of the province, there was a very different reaction. In the Ontario legislature a resolution moved by Colonel Fraser Hunter, a Liberal member, who is a retired officer of the Indian army, calling for immediate action on the part of the member nations of the British Commonwealth in support of any measures that the United Kingdom Government might decide to take, and for the conscription of man-power and property in Ontario in defence of free institutions, was taken over and amended by the Premier himself, Mr. Mitchell Hepburn.

SECOND THOUGHTS AT OTTAWA

In its amended form it pledged the co-operation of the Government and people of Ontario with the United Kingdom, and urged the federal Government to bring in legislation enabling the man-power and material resources of Canada to be immediately mobilised in the event of a war emergency. In moving it, Mr. Hepburn, who nowadays loses no opportunity of embarrassing his former Liberal friends at Ottawa, struck a strong imperialist note. He declared that, if Canada as a whole must indulge in reservations, there were no such inhibitions to prevent Ontario from voicing her ardent loyalty to Great Britain. He was supported by Colonel Drew, the provincial leader of the Conservative party, who advocated an embargo upon exports of war materials to Germany; and, to the general surprise, Mr. Belanger, a prominent French-Canadian Liberal member, gave his cordial benediction to the resolution, which was carried without a single hostile vote.

III. SECOND THOUGHTS AT OTTAWA

FACED by this revelation of sharply conflicting views in Quebec and Ontario, the two largest provinces, Mr. Mackenzie King felt it advisable to make a further effort to placate his two sets of critics. On March 30, when the estimates of the Department of External Affairs came up for discussion, he devoted two hours to a careful review of the international situation and an elaborate exposition of his Government's attitude. His speech initiated the longest debate on foreign affairs that the Canadian Parliament has ever experienced; for it lasted almost four full days, and 33 members, including all the prominent leaders, took part in it. It failed, nevertheless, to shed much light upon the intentions of the Government, and Mr. Woodsworth voiced a general perplexity when he declared that after listening to Mr. Mackenzie King's long speech he still did not know what the Government would do in the event of an outbreak of war.

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The Prime Minister's review of foreign policy revealed him as still convinced that Mr. Chamberlain had made "an emphatically right choice" in striving to prevent the outbreak of war last September, and as declining to believe in the inevitability of another general war. But he felt that he could not deny its possibility, and he therefore outlined the course of action that his Ministry would follow, in these words:

If Canada is faced by the necessity of making a decision on the most serious and momentous issue that can face a nation, whether or not to take part in war, the principle of responsible government, which has been our guide and our goal for a century, demands that this decision be made by the Parliament of Canada. Equally the system of government we have inherited from Britain . . . makes it the duty of the Government to propose to Parliament the course which in regard to particular issues it considers should be adopted and to stand or fall by the decision.

In order to meet the criticism that such a policy was not sufficiently definite and absolute, he quoted with approval Mr. Chamberlain's pronouncement, made on March 17, against "any new and unspecified commitments operating under conditions which cannot now be foreseen", declaring that no more than Mr. Chamberlain was he prepared to pledge Canada to this type of commitment.

Mr. Mackenzie King then analysed the various factors of interest, sentiment and opinion setting the limits within which any feasible policy, calculated to preserve national unity, must be framed. Among these he cited the growth of nationalist feeling, Canada's position as a North American nation and her close relations with the United States (which had been crystallised by President Roosevelt's notable speech at Kingston last August), her increased interest in the affairs of Europe, and her deep concern for the strength and welfare of Great Britain.

Any realistic survey (he said) of the Canadian scene will make it clear that these varying factors play their part in the shaping of opinion and policy in Canada.

No one can be taken as the sole directing force. They do not necessarily conflict; they may increasingly work together.

That depends on the special circumstances and policies of countries other than ours. That is why it is impossible in the case of our country as of others to give what some people seem to desire—a hard and fast statement in advance as to the action which will be taken in hypothetical future cases that may arise in this rapidly shifting world.

Mr. Mackenzie King also proceeded to execute a further retreat from the Laurier doctrine about Canadian belligerency, by explaining that when it was promulgated Canada had been in a state of political subordination to Great Britain, and had had no alternative to concurrence in the decisions of the British Government about the issues of peace and war; but, with the ending of that subordination by constitutional developments culminating in the Statute of Westminster, Canada had secured for all practical purposes freedom to determine her own course about those issues. He admitted that certain legal limitations upon that freedom of action might seem to survive, but he held that their importance was exaggerated. He pronounced against the passage of legislation like the Thorson Bill on the grounds that it could be enacted only at the cost of passionate controversy, and that, if passed, it might convey to foreign countries the unwarranted and unfortunate impression that Canada had definitely decided to remain neutral in any and every conflict.

The most emphatic declaration in his speech was a pledge that his Government would never countenance military conscription, although under war conditions it would organise a planned national effort and control profits. The Prime Minister also reiterated doubts that he had previously expressed whether any of the British Dominions would ever send another expeditionary force to Europe. He also occupied considerable time in refuting charges that at the time of the September crisis Canada had shown, as compared with other Dominions, a deplorable apathy in regard to her responsibilities as a partner in the Commonwealth. The closing part of his speech was devoted to a survey of the clash of conflicting forces in the

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world, and a plea that the rivalry between the democratic and totalitarian nations should be diverted into channels more useful to humanity than war.

Dr. Manion was so fully in agreement with many of Mr. King's statements that he might have been a partner in a parliamentary duet. He was convinced of the merits of Mr. Chamberlain's policies, he was opposed to conscription and dubious about the need of expeditionary forces, and he was clear that the issue of participation in war must be left to Parliament. But he was most emphatic that neutrality was unthinkable for Canada, and he outlined some of the intolerable situations that would arise from its adoption, rendering it as repugnant to a large proportion of the Canadian people as conscription would be to another element. In regard to the part that Canada should play in another war, he felt that there should be a compromise between the views of those who wanted Canada to back Great Britain to the last man and the last dollar and those who favoured an attitude of passive detachment. He suggested that Canada could render invaluable help to Great Britain by encouraging the enlistment of volunteer units, providing abundant supplies of munitions and food, and protecting her own territory. His own party did not all show unqualified approval of Dr. Manion's speech, and some other Conservative speakers, less concerned to placate Quebec, scorned any reservations about Canadian support for Great Britain.

The most courageous speech of the debate came from Mr. Lapointe, the Minister of Justice, who addressed some plain words to his compatriots at the risk of incurring deep unpopularity in his own province. He was adamant against military conscription, but he was even more emphatic than Dr. Manion about the impossibility of neutrality.

Realities (he said) have to be faced. The ostrich policy of refusing to face dangers will not keep them away. Indeed a deliberate policy of drift may involve a greater risk. The folly

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of mistaking shams for realities has been written large in the tragic history of many unfortunate countries. Canada is part of the world and unfortunately this planet cannot be considered to-day an earthly paradise inhabited by benevolent and rational beings of an altruistic turn of mind. . . .

The real issue in Canada is security, even world security; because we cannot expect to be an oasis surrounded by troubles and disasters which we alone could escape. Who could predict how a victorious totalitarian Power would deal with Canada? . . . If Canada were neutral, if Canada were independent, it would need security, it would need greater means of defence, and that is what some people seem to forget.

But their leader's brave plea to face realities made little impression upon the French-Canadian Liberal members, five of whom rose in turn to declare their resolute opposition to Canada's participation in any wars except for the defence of her own territory. They rang the changes upon all the arguments for complete isolationism, and their attitude can be gleaned from the closing observations of Mr. Maxime Raymond, K.C. :

Every Canadian citizen has the military obligation of defending the soil of his motherland, and those of the province of Quebec have never shirked that duty, but no one is entitled to ask them to go and shed their blood in Europe or in Africa or in Asia for the greater glory or power of any other country, even if that country should be Britain or France. . . . And if ever a majority of the people of this country should desire to compel an important minority to take up arms in defence of a foreign land, whichever it may be, that would be the end of Confederation.

Nor was Mr. Thorson himself convinced of the undesirability of his Bill, for he made a long speech in favour of its passage, but when at a later date he moved its second reading it was talked out by an irate Conservative. Most Liberal speakers, however, followed the lead given by the Prime Minister.

Mr. Woodsworth, for the C.C.F., denounced once more the recent policies of the United Kingdom Government as a series of blunders, if not worse, and asked why, when their prime author, Mr. Chamberlain, was still at the helm, Canada should be dragged into a war that would be their direct fruit. Admitting, however, that Canada's culpable

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failure to take seriously her own responsibilities about the League debarred her from any right to sit back in smug complacency, he urged that she make a belated requital for her past sins by imposing an immediate embargo upon all exports of raw materials to Germany and Japan. In regard to Canadian participation in war, his view was that Canada would be involved in technical belligerency by a British declaration of war, and that her right of decision would be limited to her degree of participation. He was convinced that war would again bring conscription in its train. He and other C.C.F. speakers advocated the re-establishment of a system of collective security, accompanied by drastic measures for the elimination of what they believed to be the causes of war. The Social Crediters taking part in the debate voiced similar sentiments to those of the C.C.F. party, and were opposed to conscription.

Its frequent long adjournments have deprived the Senate of much opportunity for discussing the international situation. In its opening debate, however, Senator Meighen made a passionate plea to the Government to abandon its attitude of chill particularism in face of a common peril, and to take steps for the co-ordination of its defence measures in a general programme for the whole British Commonwealth.

The net result of the parliamentary debates has been to make it reasonably plain that Mr. Mackenzie King's Government do not contemplate neutrality and definitely plain that they will not resort to conscription. There are indications that they would like to follow a plan of limited liability in regard to a European war, but they have now no assurance that even for such a policy they could command the support of the main body of their French-Canadian followers. A withdrawal of this group's allegiance, which might well entail some resignations from the Cabinet, would deprive the Ministry of a working majority in the Commons, and Conservative co-operation would have to be enlisted in the formation of a coalition Government.

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Meanwhile the Ministry has been endeavouring to speed up its rearmament programme. There is considerable anxiety, however, in the public mind about the administrative methods being pursued, and disturbing revelations about certain transactions have forced the Ministry to submit a contract for Bren machine guns to a judicial inquiry, and to accept a general inquisition by the public accounts committee of the House of Commons into all armament contracts recently placed.

During all this period feeling in the country (outside Quebec) has been hardening. Last September, under the immediate threat of war, there was abundant evidence of a widespread response to the call to defend the Empire and the broader call to defend our whole way of living. Subsequently there was much uneasiness in certain quarters about the policy of Mr. Chamberlain's Government. Events themselves, however, have conspired to make most even of these critics feel, like the Opposition in England, that if war comes in the present circumstances it will be a war, not of support for imperial power policy, but of defence against aggression which leaves no one in the whole world safe. How long this unity of opinion will last it is idle to predict. If the outcome of the present crisis is a general move towards collective security, this will do much to reassure those elements in the population which fear being drawn into a power-politics war. If, on the other hand, the present attitude of the United Kingdom Government should prove temporary and tentative, the result will surely be to restore the former divisions in Canadian public opinion on world affairs.

Canada,
April, 1939.

IRELAND'S VITAL PROBLEMS

I. FOREIGN POLICY AND DEFENCE

DURING recent months the nebulous policy of the Irish Government in matters of foreign affairs and defence has been a cause of serious concern to many Irishmen. In a statement to the press on February 20, Mr. De Valera said that the aim of his Government was to keep the nation out of war and to preserve our neutrality. The only way to secure that aim was to be in the best position possible to defend ourselves, so that no one could hope to attack us or violate our territory with impunity. We knew, of course, that Great Britain, in her own interests, must help us to repel an attack, if it came, from any other Power. The Irish Government, he added, had not entered into any commitments with Great Britain, and was free to follow any course that Irish interests might dictate.

This statement conveniently ignores the fact that we are not living in a vacuum. In the modern world no State, certainly no small State, is really independent in its external relations. Just as the Scandinavian countries must inevitably share the same broad policy and fate, and just as Belgium and Switzerland, under present conditions, must stand or fall with France, so our freedom and prosperity, whether we like it or not, must depend in the last analysis upon the strength and policy of Great Britain. We are, in fact, like most other small nations, a satellite Power; and ideological, geographical and economic reasons alike dictate our alliance with Great Britain in the event of war. It is absurd to pretend otherwise; for at the present moment the only thing that stands between us and foreign domination of a peculiarly

unpleasant kind is the power of the British navy. Although our Government know this quite well, they choose, either through fear or through incapacity, to pursue an ostrich-like policy of pretending that we are able to defend ourselves. It is to be hoped that they will not soon suffer a rude awakening.

Unfortunately the great mass of the people have little knowledge of, or interest in, foreign affairs. Apart from an historic friendship for the United States of America, a vague dread of communism, a suspicion of England and a strong loyalty to the Holy See, they have no definite views on foreign policy. Their general attitude was recently well illustrated when the first Labour Lord Mayor of Cork, Councillor James Hickey, T.D., an intelligent and upright man, refused to take part in a civic welcome to the officers and cadets of a German training-ship because of the insult offered to the Catholic world by the German newspapers in referring to the late Pope Pius XI as "a political adventurer". He emphasised that his protest was directed against the official German point of view, and not against the masses of the German people. Whatever may be thought of the Lord Mayor's action from the standpoint of international etiquette, there can be no doubt whatever that it reflects the general opinion, not only of his fellow citizens, but indeed of the great majority of his fellow countrymen. The training-ship, however, was officially welcomed by the Irish Government. It is understood that the German diplomatic representatives were much incensed by the Lord Mayor's action. On February 12, the Government made a somewhat tardy concession to popular opinion by recognising General Franco's Government in Spain a few days before Great Britain did so. Another example of Ireland's attachment to the Holy See was afforded by Mr. De Valera's attendance in Rome at the coronation of the new Pope. His late Majesty Edward VII was scarcely speaking in metaphor when he complained that His Holiness was the real King of Ireland.

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A more important reaction to the general European tension has been the increase in the estimates for defence. It is unfortunately clear that, as Dr. O'Higgins pointed out in the Dail on February 8, this country last September was practically devoid of plan, policy or means of defence and that ammunition and anti-aircraft guns were almost entirely lacking. In order to remedy this state of affairs provision is now being made for the expenditure of £5,500,000 on capital equipment and stores. Of this sum a million pounds are to be spent on aeroplanes and another million on anti-aircraft guns and ammunition. Military aerodromes and an ammunition factory are to be built. The army is also to be increased in number, from 21,000 to 30,000, of whom more than half will be part-time volunteers. It is to include a coast patrol and mine-sweeping service, which will probably be used for the defence of the fortified ports and the Shannon airport. The new Irish soldier will apparently be "soldier and sailor too". Unfortunately there seems to be small inclination amongst educated Irishmen to choose our army as a career. The cadet corps is at present much under strength, and young men with a military vocation seem more inclined to seek service in the British forces. Having regard to the expenditure on armaments of other small European countries, one can hardly consider our new commitments excessive. Provision is also being made for reserves of food and other essential commodities.

Speaking during the debate on the estimates, Mr. Frank Aiken, the Minister for Defence, said that our first problem was the maintenance of neutrality, and the second to defend ourselves if we were attacked by some Power that wanted to use this country as a base against England. Mr. McGilligan, on behalf of the Opposition, ridiculed the idea that we could remain neutral in the next war and pointed out that our fortified ports could be of use only to a naval Power. Mr. De Valera's speech during the debate added little to the statement already quoted

PARTITION

He admitted that it would be difficult to remain neutral and that it was essential for us to continue our trade with Great Britain in cattle and other agricultural products. Replying to a question by Mr. McGilligan, he said that if we were attacked our forces would combine with British forces for the defence of Ireland. And in that somewhat unsatisfactory position the problem of Irish defence policy must await the event.

II. PARTITION

DURING his speech in the debate on defence, Mr. De Valera pointed out that the existence of the Northern border made it difficult to plan the defence of the country as a whole. Partition, he said, was a stimulant to those who still believed that England's difficulty was Ireland's opportunity. His Government wanted to end the quarrel with England, and as a free people they would wish in their own interests to see Great Britain powerful and strong.

The whole question of partition has recently been the subject of an illuminating debate in the Senate on a motion by Senator Frank MacDermot that the policy of the Government ought to take more serious account of the sentiments and interests of the majority of the people in Northern Ireland. His thesis was that the border was the external symptom of an internal disease, which was curable only by ourselves after proper diagnosis and treatment. He claimed that the campaign conducted by the Government and its supporters against partition during the last few months was doing, and was likely to do, more harm than good. His motion was put down, he said, before the outrages which had taken place in England, but these events only gave it additional force. Acts of violence were the logical consequence of attributing to England the entire blame for continuing partition, and of the inflammatory speeches that had lately been delivered. It

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had been said that Northern Ireland was the "pamperec pet" of the British, but he thought the description could better be applied to the rest of Ireland. There was no other country in the Commonwealth that had enjoyed all its advantages and yet had refused to shoulder its obligations as Ireland had. He said he was an optimist about reunion, provided they realised that the issue depended on themselves, and not on the British Government. He urged the Government to make some definite statement on its attitude towards such fundamental matters as access to British markets, citizenship of the Commonwealth, allegiance to the King, the question of language and of flags and anthems, so that the people of the North would know where they stood in the event of union. Posterity would not easily forgive us if at this crisis in our history we sacrificed substance to shadow through pettiness and obstinacy.

Mr. De Valera's long and rather rambling speech at the close of the debate added little to his many previous statements on this subject. The British Government, he insisted, was responsible for the existing situation, and, whilst he admitted that it could not be cured by force, yet he confessed that he would, if he had the power, take over by force those districts in Northern Ireland where Nationalists were in a majority. To placate the North he would give up neither the policy of reviving the Irish language nor what he called "the internal republic", but he would be prepared to continue external association with the Commonwealth so long as the Irish people desired to do so. Apparently he is still blind to the fact that, unless we arrive at a *modus vivendi* on such questions as Senator MacDermot mentioned, the majority in Northern Ireland will never willingly associate themselves politically with the rest of Ireland. He did, however, admit—and this is now the essence of the matter—that if an agreed solution was reached between North and South there could be no objection from the British Government.

PARTITION

The reactions of Ulster to this discussion were true to type. Whilst Senator MacDermot's speech was welcomed as a clear and realistic presentation of the difficulties to be surmounted, Mr. De Valera's reply only provoked the Northern politicians to further uncompromising statements of their position. At a meeting of the Ulster Unionist Council in Belfast on March 3, a letter was read from Sir Samuel Hoare, the British Home Secretary, who was unable to attend, stating that the position of the British Government remained unchanged, and that no body of organised opinion in England would countenance the coercion of Ulster into an all-Ireland union. Lord Londonderry, who took Sir Samuel's place, declared that Northern Ireland did not desire Dominion status. Its people were resolute in their loyalty to the Throne and desired the closest possible association with Great Britain. They would, he said, have no part or lot in any policy which disregarded the Crown. Mr. De Valera's offer, he said, was "of a very poor quality", and could not be entertained in any circumstances whatsoever. Much as one may deplore dihard speeches of this kind, it would be idle to deny that they reflect the Northern point of view and are the natural answer to the extremists on this side of the border.

But there is another most serious and relevant consideration which was well put by Mr. James Dillon, T.D., the deputy leader of the United Ireland party, speaking at Armagh on March 19, when he pointed out that the leaders of the majority in Northern Ireland could render no greater service to the Commonwealth to-day than to announce their readiness, in face of danger, to enter into negotiations with the Irish Government in order to re-establish a united Ireland. This could then play its part in uniting the democracies of the world for peace, and, by their unity and resolution, preventing the totalitarian States from embarking on the desperate adventure of war.

Speaking at Ennis on April 16, Mr. De Valera, after

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referring to the Irish Government's desire to keep neutral in the event of war, asked if it was too much to hope that in this time of anxiety and impending danger, our fellow countrymen in the North East, who differed from us in the past, would join with us for the defence of those rights which we held in common. Our whole history was proof, he said, that if they came in with us there would be no discrimination of any kind against them. From a united Ireland Great Britain would have nothing to fear. Lord Craigavon's comment on this declaration was that it was most cowardly, and that Northern Ireland could have nothing to do with people who chose to remain neutral. The King's name has recently been omitted from our passports, and Mr. De Valera has pointed out that His Majesty is merely a "statutory officer" so far as we are concerned. No doubt this is to be taken as another proof of our anxiety for Irish unity.

On April 27 Mr. De Valera, who had planned to start the following day on an official visit to America, informed the Dail that "grave events which had occurred the previous day" had caused him to change his plans and to remain in Ireland. It was clear that he had in mind the British Government's decision to introduce conscription in so far as this might affect Northern Ireland. The vehement opposition of the Nationalist population there was once declared, and on May 1 Cardinal MacRory and the Catholic Bishops of that area issued a statement denouncing the application of conscription to Northern Ireland as disastrous and an aggression against our national rights. The following day Mr. De Valera announced in the Dail that his Government had protested to the British Government in the strongest terms against such a course, which he, too, characterised as an act of aggression. The threat contained in the British Military Service Bill, under which conscription might be extended to Northern Ireland by order in council, was intolerable. The entire Dail supported his protest, which undoubtedly voiced Irish opinion.

THE CHALLENGE OF THE I.R.A.

home and abroad. There was therefore considerable relief and satisfaction in Ireland when Mr. Chamberlain announced in the House of Commons on May 4 that the Bill would not be extended to Northern Ireland. It is unfortunate that this was not made clear in the first instance. Lord Craigavon, who crossed to London on May 2 to see Mr. Chamberlain at the latter's request, after affirming Ulster's desire for conscription, said that he left the decision in the hands of the Imperial Government, and asked to be informed in what way Ulster could best serve the mother country. The only real way in which she could do so, namely, by attempting to secure Irish unity within the Commonwealth, does not seem to have occurred to him. But if he is wise he will see the writing on the wall, for to-morrow such an accommodation may be impossible.

III. THE CHALLENGE OF THE I.R.A.

THE campaign of explosive outrage that began in Great Britain during January has since then continued sporadically.* It soon became clear that it was being carried on by the small band of Irish extremists who call themselves the Irish Republican Army. It would appear from published documents that on December 8 last the surviving members of the Second Dail, who claim to be the Government of the Irish Republic, handed over their powers to the Council of the I.R.A. On January 15 the latter body issued a proclamation calling upon England to withdraw her armed forces and officials from every part of Ireland, as an essential preliminary to arrangements for peace and friendship between the two countries. It also referred to the efforts they were about to make to compel that evacuation. This document, which was signed by certain well-known members of the I.R.A., and was posted publicly throughout Ireland, was apparently also sent to the British Government.

* See THE ROUND TABLE, No. 114, March 1939, p. 368.

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Most of those tried on charges arising from the outrage refused to plead on the familiar ground that, being soldiers of the I.R.A., they could not recognise the jurisdiction of the court. In a message from the Council of the I.R.A. which was read at public meetings in Ireland during the celebrations in memory of the Easter Rising of 1916 reference was made to the activities of the "expeditionary forces in Britain", which it was stated had been attended by "a degree of success". The mentality of its author is illuminated by the statement that recognition of the separate nationality of Scotland and Wales had been granted and activities were accordingly being confined to England. It was added that no operations were contemplated in Ireland.

This campaign in England was nevertheless a direct challenge to the authority of the Irish Government, a challenge that could not be ignored. At first they preserved silence, but on February 7 Mr. De Valera announced that they were going to carry out their obligations. They were, he said, the rightful, lawful Government, and no other group or body had the right to talk for the Irish people. They would do their duty at any cost to themselves.

Mr. De Valera had apparently believed that, because under the new constitution anyone is free to agitate for a republic, the extreme element would cease their subversive activities. Acting on this optimistic belief, he did not re-enact the provisions of article 2A of the old constitution, which enabled political offences to be brought before military tribunals and gave wide powers of arrest and detention in such cases. As might have been expected, the removal of these drastic provisions only led to an immediate revival of I.R.A. activities. Article 31 of the new constitution, however, provides that special courts may be established by law for the trial of offences in cases where the ordinary courts are deemed inadequate to secure the effective administration of justice and the preservation of order.

THE CHALLENGE OF THE I.R.A.

On February 8 Mr. Ruttledge, the Minister for Justice, introduced two Bills to deal with the situation. The first provides for the punishment of treason by death and also deals with the punishment of ancillary offences, while the second deals with specific offences against the state such as the usurpation of government functions, obstructing the government, illegal drilling, the formation of secret societies, administering unlawful oaths and publishing seditious matter. The latter Bill provides that when the Government is satisfied that the ordinary courts cannot deal with these offences, which is unfortunately the normal position, they may by proclamation set up special courts to do so, and may also intern and interrogate persons who are suspected of political offences. As a safeguard the Bill provides that such a proclamation may at any time be annulled by a resolution of the Dail, whereupon this emergency provision will cease to operate. Mr. Ruttledge, when introducing this measure, did not refer directly to the outrages in England, but read the I.R.A. proclamation already referred to, which showed, he said, that there existed in the country an armed organisation claiming the right to speak and act in the name of the Irish people. He referred also to the blowing up of the customs huts on the Northern border last November with explosives sent from Irish territory.

Mr. Cosgrave's party, United Ireland, while adopting a critical attitude towards the terms of this legislation, did not oppose it in principle. The Labour party, on the other hand, voted against both Bills, and their leader, Mr. Norton, made one of the most effective speeches during the debate. He referred, rather unkindly, to similar republican proclamations issued by the present Minister for Justice when he was acting in armed opposition to Mr. Cosgrave's Government, and he quoted with evident delight the speeches of Mr. De Valera and other members of the present Government denouncing similar legislation when it was introduced, under far more urgent conditions,

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by Mr. Cosgrave in 1931. He also read statements by Mr. De Valera to the effect that under his Government such coercive measures would not be necessary. For the rest Mr. Norton's speech was a bid for the extreme republican vote. He suggested that, as the ordinary law was sufficient to deal with the outrages in England, it ought to be sufficient here. This is of course absurd, because intimidation of judges and juries is fortunately not possible in England.

Mr. De Valera, during the debate, admitted with evident sorrow that his theories concerning the effect of the new constitution had proved fallacious, and that the Government could not be responsible for the government of the country unless they obtained the powers sought. It remains to be seen whether they will have the necessary courage to use the powers they obtain. If they do, it is almost certain that the campaign of outrage will not be confined to England. Already Miss Mary MacSwiney, that redoubtable diehard, has publicly charged Mr. De Valera with national apostasy and treason, and has stated that if he stains his hands with the blood of republicans he and everyone who supports him will be guilty of murder. The implication of this challenge is obvious. Will Mr. De Valera deal firmly with the extremists, or will he evade the issue? Upon the answer to that question must depend the ultimate fate of his Government.

IV. ECONOMIC PORTENTS

RECENT ministerial speeches suggest that the Government are engaged in trying to change their economic front. The manoeuvre is not an easy one to execute. As a result of their policy during recent years, the value of industrial output has risen in almost exactly the same measure as the value of agricultural output has declined. Since there is practically no export trade in anything but agricultural produce, the establishment of industrial

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undertakings can only result in the transfer of labour from agriculture to industry without any increase in the net output of national wealth. While the Government have been seeking to build up little industries which can never hope to do an export trade, the Danes, with the aid of their better standards and methods, have captured the huge British market for butter, bacon and eggs.

In addressing the opening meeting of the Agricultural Commission, Dr. Ryan, the Minister for Agriculture, said that in enquiring into the position of agriculture there would not be a great deal to be gained by post-mortems. What mattered now was the measures that might be taken for the future improvement of the agricultural industry. It was essential, he said, that this country's produce should achieve a reputation of the highest possible quality, and they must avoid a policy that might be akin to placing agriculture permanently on the dole. While one can understand the Minister's objection to enquiring too closely into the reasons for the moribund condition of Irish agriculture, one is certainly startled by his repudiation of the Government's former policy, which made Irish agriculture almost entirely dependent on subsidies, bounties and guarantees, and which affected to ignore the British market. On April 20 the County Dublin farmers called a one-day strike and procession to draw attention to their plight.

The recent report of the Prices Commission on the prices charged here for bacon illustrates only too well the result of eliminating external competition by means of tariffs and quotas. The Commission found that the excess profits of the bacon-curers in the four years 1934-37 amounted to £308,000, and that, through the elimination of all competition, the prices charged to the home consumer are inordinately high. Never was there a more striking illustration of the way in which protection may prove a boomerang.

The detailed analysis of the 1936 census, which was recently published, also proves that the drift from country

IRELAND'S VITAL PROBLEMS

to town, and the emigration of our young people, continue in spite of political emancipation. The most striking figure, however, is the marriage rate of those who remain behind. Between the ages of twenty-five and twenty-nine, 82 per cent. of our male population remain single. This is by far the highest percentage in Europe, and but for the high degree of fertility among those who do marry the total decline of population would be serious indeed. The marriage problem is of course more fundamental than that of emigration. It arises largely from the fact that under peasant proprietorship the eldest son gets the farm, generally late in life, and the younger sons remain celibate or leave the land.

Mr. Lemass, the Minister for Industry and Commerce, has recently confessed that we can no longer blame external misgovernment for these evils, but must now accept responsibility for them ourselves. He also admits that, while agricultural prices have increased by only 14 per cent. since 1914, the cost of other goods and services has risen by 75 per cent., and that the national need demands a conscious sacrifice by all sections of the community for the benefit of the farmers. Other projects, he says, must stand over until this is done. In other words, agricultural prices must be raised or other prices lowered. This is the dilemma from which the Government finds it impossible to escape. The forced development of industry is also giving trouble in other directions. For instance, the projected oil refinery in Dublin has had to be abandoned after considerable expenditure owing to the opposition of the petrol combines. On the other hand, there is a welcome increase in both our exports to Great Britain and our imports from her. We are one of the three countries that increased their exports during 1938.

Speaking at the opening meeting of the Commission that has been set up by the Government to report on the practicability of developing vocational organisation here, Mr. De Valera pointed out that vocational organisation,

WILLIAM BUTLER YEATS

enabling people engaged in the same calling to come together to promote their interests, was consistent with any type of political structure. Such an organisation would relieve the state of attending to details and save us from bureaucracy. The real difficulty that confronts the Commission is to find a happy mean between a spontaneous and a state-controlled organisation of our vocational life. What is wanted is an organisation of our rural society which will recognise its patriarchal nature, with roots in the family and the parish. Outside the Church no such organisation yet exists.

V. WILLIAM BUTLER YEATS

NO chronicle of recent Irish events would be complete that did not mention the death of William Butler Yeats, which took place at Mentone on January 28. Poet, philosopher, dramatist, he gave to Ireland not only a national theatre but almost a new literature. Of Irish Protestant stock, heir to the great tradition of Anglo-Irish literature, and proud of his descent and his inheritance, he yet interpreted the life of Catholic rural Ireland and the old Gaelic legends to the world. Himself no politician, he wrote one play whose exalted symbolism has been an oriflamme to Irish nationalism. Yet he had no sympathy with the dangerous and dishonest mentality that seeks to distinguish between a "Gael" and an Irishman. His poetry, which developed from the romantic tradition through quietness and simplicity to an astringent austerity, displayed to the end the same singleness of purpose and the undimmed vitality of youth. Not only Ireland but all Europe must mourn the loss of such a spirit in these days of darkness, doubt and danger, when, in his own words,

*"The best lack all conviction, while the worst
Are full of passionate intensity."*

Ireland,
May 1939.
R R

MR. GANDHI'S FAST

I. PRE-FEDERATION FERMENT

EFFORTS to bring about federation in India have been temporarily overshadowed by developments in the relations between British India and the Indian states,* although indeed the inevitability of federation is largely responsible for the conflict. In the Congress party itself, the present pre-federation ferment in political thinking has a pro-federation incentive—this in face of the fact that the Congress still bitterly condemns the particular form of federation envisaged in the 1935 Act. Like the British authorities the Congress is anxious to maintain and consolidate the existing unity of the country; its main anxiety at the moment, however, is to enhance Congress power in the expected federation. The princes and the Moslems, on the other hand, hesitate to accept federation, being apprehensive of their future status under a system that may give the Congress a deciding voice. The Moslems in particular are showing bitter hostility both to the Congress and to federation. Instead of encouraging all-India unity, they are preaching a policy of separatism for Moslem areas which, if achieved, would segregate the Moslems into a series of Ulsters throughout the country.

The conflict between the Congress and the states reached its climax over the affairs of Rajkot, a small western state. The ruler, known as the Thakore Saheb, gave an undertaking to Mr. Vallabhai Patel, the Gujerati Congress leader, to appoint a committee of ten to formulate a scheme of reforms in his state, and to accept the recommendations of Mr. Patel regarding seven of its members. The

* See article above on "The Future of the Indian States", p. 504.
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THE VICEROY'S INTERVENTION

discussions that led to this arrangement were carried out amid considerable agitation in the state. Mr. Patel had indicated, moreover, that the outcome of the campaign for responsible government in Rajkot would be a measure of success for the campaign in the states generally. When the time came for the Thakore Saheb to accept the names recommended by Mr. Patel, he found himself unable to agree to several. Mahatma Gandhi, who had closely associated himself with the Rajkot "struggle", thereupon declared that the Thakore Saheb had committed a "breach of faith". He further alleged that the British Resident in Rajkot had been responsible for destroying the arrangement made between the Thakore Saheb and Mr. Patel. This was firmly denied by the Political Department of the Government of India. The official statement explained that in rejecting certain of Mr. Patel's nominees the Thakore Saheb acted on his own initiative under the terms of the agreement. This view was contested by Mr. Gandhi, who proceeded to Rajkot, and entered upon a fast as a protest against the Thakore Saheb's alleged breach of faith. The situation was now described in the nationalist press as a first-class issue between the Congress and the Paramount Power, although in its early stages it had been regarded by the Paramount Power as a minor issue between the Congress and the Thakore Saheb, who had voluntarily entered into negotiations with Mr. Patel.

II. THE VICEROY'S INTERVENTION

MR. GANDHI'S fast released a flood of criticism of conditions in Rajkot, and it was urged on all hands that the Viceroy should intervene to end the dispute. While some sections of the press deplored the fast on the ground that it savoured of coercion, the general Indian opinion was that the Thakore Saheb had forfeited all claims to sympathy. Several Congress Ministries indicated that they would find it increasingly difficult to remain in office

MR. GANDHI'S FAST

if the fast in Rajkot continued. The Viceroy, touring in the Rajputana states, hurried back to Delhi and placed himself in touch with Mr. Gandhi. Exchanges between Delhi and Rajkot ultimately narrowed the issue to certain fundamental points, which the Viceroy suggested should be referred to the Chief Justice of India, Sir Maurice Gwyer, for his interpretation of the documents. Mr. Gandhi agreed, called off his fast, and prepared to visit the Viceroy at the latter's invitation. Several interviews took place between the two men, and it was generally understood in India that wider problems, including federation, were considered as well as those of Rajkot itself.

The feeling of relief that swept the country after Mr. Gandhi had ended his fast was followed by glowing tributes to the Viceroy, for which no parallel can be found in India since the Irwin-Gandhi agreement of 1931. While the princes and the Moslems watched these developments with increasing anxiety, it became clear that the Viceroy's intervention had the fullest endorsement in Hindu circles in the Congress. Whereas the Western mind tends to resent an attitude that accepts fasting as a legitimate political weapon, Hindu opinion interpreted the fast as a moral protest against a breach of faith, and in this respect the Hindu response was spontaneous and sincere. Congress supporters felt certain from the first that the Chief Justice would give an award in favour of Mr. Patel's contention, as in fact he did. Sir Maurice held that the Thakore Saheb had undertaken to appoint the persons whom Mr. Patel recommended and had not reserved to himself the right to reject those whom he did not approve. Mr. Gandhi, regarding himself as vindicated, called off civil disobedience, not only in Rajkot but also elsewhere. The controversy, however, served to increase both the bitterness of the Moslems towards the growing prestige of the Congress, and the apprehensions of the princes regarding their future in the Indian political

CONGRESS DISSENSIONS

III. CONGRESS DISSENSIONS

THE Rajkot dispute had another secondary effect. It relegated to the background a controversy that had arisen within the Congress party over the annual presidential election. In the past, Congress delegates have unanimously elected a president previously nominated by the party leaders, but this year Mr. Subas Chandra Bose, the retiring president, insisted on contesting the election against the party nominee, Dr. Pattabhai Sitaramayya. Mr. Bose refused to withdraw, even at the request of Mr. Gandhi. The election became a direct clash between the Left wing, represented by Mr. Bose, and the Right. It was preceded by statements and counter-statements which disclosed party differences never before made public. Mr. Bose contended that his opponent had been selected because he would be more pliable in compromising over federation. The presidency, he maintained, should reflect a definite political policy, which the president should be enjoined to carry out. Those sponsoring Dr. Sitaramayya, on the other hand, held that the office was merely a nominal position, from which the broad nationalist policy was directed. In a poll of nearly 3,000 votes, Mr. Bose won by a majority of over 200. The result was regarded as defeat for the upper hierarchy of the party; Mr. Gandhi frankly admitted that it was a defeat for himself.

The vote raised new and awkward problems for the Congress leaders. The majority of the existing Working Committee resigned, as being unable to collaborate with a president whose election they had opposed. In any event the old committee realised that if Mr. Bose carried out his theory of the presidential office he would replace the Right-wing elements which had controlled the organisation for years by a Working Committee reflecting more extreme views. On the surface, the resignations left Mr. Bose free to select such a committee, but in fact he was deprived of all the party's experienced leaders. Without Mr. Gandhi's

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blessing, his presidential election was only a sham success. The decision of Pandit Jawaharlal Nehru to accompany his fellow committee-men into retirement bewildered those Left-wing elements who had thought that in electing Mr. Bose they were about to bring Congress policy more into line with the Pandit's ideas. A split in the party on ideological lines would have been the logical sequence to Mr. Bose's election, but strenuous efforts were made to keep the organisation intact, particularly with the aim of retaining Mr. Gandhi's indirect leadership.

Mr. Bose, a sick man, proceeded to the annual convention at Tripura, conscious of the fact that, although he had split the organisation from top to bottom, he had not gained his way, since he had lost Mr. Gandhi's influence. Although the latter had informed Mr. Bose that he was free to select a homogeneous Working Committee reflecting opinions of the kind he himself held, it quickly became clear at Tripura that the majority of the delegates were unwilling to sacrifice Mr. Gandhi's unofficial leadership. A resolution brought forward by Pandit Govind Ballabh Pant, Premier of the United Provinces, showed that the old leaders were not ready to be superseded without a challenge. The resolution expressed the confidence of the party in the leadership of the Working Committee during the previous year, and requested the president to nominate his new Working Committee in accordance with the wishes of Mr. Gandhi. A division was not challenged. The convention thus completely vindicated the leadership and policy of Mr. Gandhi, to the confusion of the new president.*

India,

April 1939.

* Mr. Bose has since resigned, and Mr. Rajendra Prasad, a member of the Right wing, has been elected president in his stead.—EDITOR.

BRITISH FOREIGN POLICY

DOCUMENTS

1. *Statement in the House of Lords by Viscount Halifax, Secretary of State for Foreign Affairs, March 20, 1939.*

The Munich Settlement . . . was accepted by His Majesty's Government for two purposes, quite distinct. The first purpose was to effect a settlement, as fair as might be in all the extremely difficult circumstances of that time, of a problem which was a real one, and of which the treatment was an urgent necessity if the peace of Europe was to be preserved. . . . I have no doubt whatever that His Majesty's Government were right, in the light of all the information available to them, to take the course they did. The second purpose of Munich was to build a Europe more secure, upon the basis of freely accepted consultation as the means by which all future differences might be adjusted; and that long-term purpose, my Lords, has been, as we have come to observe, disastrously belied by events. . . .

In his actions until after Munich a case could be made that Herr Hitler had been true to his own principles, the union of Germans in, and the exclusion of non-Germans from, the Reich. Those principles he has now overthrown, and in including 8 million Czechs under German rule he has surely been untrue to his own philosophy. The world will not forget that in September last Herr Hitler appealed to the principle of self-determination in the interests of 2 million Sudeten Germans. That principle is one on which the British Empire itself has been erected, and one to which, accordingly, as your Lordships will recollect, we felt obliged to give weight in considering Herr Hitler's claim. That principle has now been rudely contradicted by a sequence of acts which denies the very right on which the German attitude of six months ago was based, and, whatever may have been the truth about the treatment of 250,000 Germans, it is impossible for me to believe that it could only be remedied by the subjugation of 8 million Czechs. . . .

Broadly speaking, there have been, at all events since the war, two conflicting theses as to the best method of avoiding conflicts and creating security for the nations of the world. The first thesis is . . . the thesis expressed in the Covenant of the League of Nations. . . . The second, which has been in conflict, has been upheld by those who considered that systems seeking to provide collective security, as it has been termed, involved dangerously indefinite commitments quite disproportionate to the real security that these commitments gave. . . .

I have no doubt that in considering these two theses the judgment of many has been influenced by the estimate that they place, rightly

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or wrongly, upon the probability of direct attack. If it were possible, in their judgment, to rate that probability low, then that low probability of direct attack had to be weighed against what might seem to them the greater risk of States' being involved in conflicts that were not necessarily arising out of their own concerns. But if and when it becomes plain to States that there is no apparent guarantee against successive attacks directed in turn on all who might seem to stand in the way of ambitious schemes of domination, then at once the scale tips the other way, and in all quarters there is likely immediately to be found a very much greater readiness to consider whether the acceptance of wider mutual obligations, in the cause of mutual support, is not dictated, if for no other reason than the necessity of self-defence. His Majesty's Government have not failed to draw the moral from these events, and have lost no time in placing themselves in close and practical consultation, not only with the Dominions, but with other Governments concerned upon the issues that have suddenly been made so plain.

2. *Statement in the House of Commons by Mr. Neville Chamberlain, Prime Minister, March 31, 1939.*

Certain consultations are now proceeding with other Governments. In order to make perfectly clear the position of His Majesty's Government in the meantime, before those consultations are concluded, I now have to inform the House that during that period, in the event of any action which clearly threatened Polish independence and which the Polish Government accordingly considered it vital to resist with their national forces, His Majesty's Government would feel themselves bound at once to lend the Polish Government all support in their power. They have given the Polish Government an assurance to this effect. I may add that the French Government have authorised me to make it plain that they stand in the same position in this matter as do His Majesty's Government.

3. *Statement in the House of Commons by the Prime Minister, April 3, 1939.*

The commitments of this country, whether actual or potential, were stated some time ago by my Right Hon. friend the member for Warwick and Leamington (Mr. Eden) in a passage which is famous because it so clearly and carefully expressed the facts.* . . . If at that time it had been suggested that we should add to those commitments something affecting a country in the eastern part of Europe, it would, no doubt, have obtained some limited amount of support, but it certainly would not have commanded the approval of the great majority of the country. Indeed, to have departed from our traditional ideas in this respect so far as I did on behalf of His Majesty's Government on Friday constitutes a portent in British policy so momentous that I think it is safe to say it will have a chapter to itself when the history books come to be written. . . .

Of course, a declaration of that importance is not concerned with

* See THE ROUND TABLE, No. 108, September 1937, p. 724.

DOCUMENTS

some minor little frontier incident; it is concerned with the big things that may lie behind even a frontier incident. If the independence of the State of Poland should be threatened—and if it were threatened I have no doubt that the Polish people would resist any attempt on it—then the declaration which I made means that France and ourselves would immediately come to her assistance. . . .

It is not so long ago that I declared my view that this country ought not to be asked to enter into indefinite, unspecified commitments operating under conditions which could not be foreseen. I still hold that view; but here what we are doing is to enter into a specific engagement directed to a certain eventuality, namely, if such an attempt should be made to dominate the world by force. . . . If that policy were the policy of the German Government it is quite clear that Poland would not be the only country which would be endangered.

4. *Statement in the House of Commons by the Prime Minister, April 6, 1939.*

The conversations with M. Beck have covered a wide field and shown that the two Governments are in complete agreement upon certain general principles.

It was agreed that the two countries were prepared to enter into an agreement of a permanent and reciprocal character to replace the present temporary and unilateral assurance given by His Majesty's Government to the Polish Government. Pending the completion of the permanent agreement, M. Beck gave His Majesty's Government an assurance that the Polish Government would consider themselves under an obligation to render assistance to His Majesty's Government under the same conditions as those contained in the temporary assurance already given by His Majesty's Government to Poland.

5. *Statement in the House of Commons by the Prime Minister, April 13, 1939.*

Once confidence has been roughly shaken it is not so easily re-established, and His Majesty's Government feel that they have both a duty and a service to perform by leaving no doubt in the mind of anyone as to their own position. I, therefore, take this opportunity of saying on their behalf that His Majesty's Government attach the greatest importance to the avoidance of disturbance by force or threats of force of the *status quo* in the Mediterranean and the Balkan Peninsula. Consequently, they have come to the conclusion that, in the event of any action being taken which clearly threatened the independence of Greece or Rumania, and which the Greek or Rumanian Government respectively considered it vital to resist with their national forces, His Majesty's Government would feel themselves bound at once to lend the Greek or Rumanian Government, as the case might be, all the support in their power. We are communicating this declaration to the Governments directly concerned, and to others, especially Turkey, whose close relations with the Greek Government are known. I understand that the French Government are making a similar

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declaration this afternoon. I need not add that the Dominion Governments, as always, are being continuously informed of all developments.

6. *Statement in the House of Commons by the Prime Minister, May 10, 1939.*

His Majesty's Government recently accepted a definite obligation in respect of certain eastern European States. They . . . undertook these obligations without inviting the Soviet Government to participate directly in them, in view of certain difficulties to which, as the House is well aware, any such suggestion would inevitably give rise. His Majesty's Government accordingly suggested to the Soviet Government that they should make, on their own behalf, a declaration of similar effect to that already made by His Majesty's Government, in the sense that, in the event of Great Britain and France being involved in hostilities in discharge of their own obligations thus accepted, the Soviet Government, on their side, would express their readiness also to lend assistance, if desired. . . .

Almost simultaneously, the Soviet Government suggested a scheme at once more comprehensive and more rigid which, whatever other advantages it might present, must in the view of His Majesty's Government inevitably raise the very difficulties which their own proposals had been designed to avoid. His Majesty's Government accordingly pointed out to the Soviet Government the existence of these difficulties. At the same time they made certain modifications in their original proposals. In particular, they made it plain that it was no part of their intention that the Soviet Government should commit themselves to intervene, irrespective of whether Great Britain and France had already, in discharge of their obligations, done so.

7. *Statement in the House of Commons by the Prime Minister, May 12, 1939.*

His Majesty's Government in the United Kingdom and the Turkish Government have entered into close consultations, and the discussions which have taken place between them, and which are still continuing, have revealed their customary identity of view. It is agreed that the two countries will conclude a definitive long-term agreement of a reciprocal character in the interests of their national security. Pending the completion of the definitive agreement His Majesty's Government and the Turkish Government declare that in the event of an act of aggression leading to war in the Mediterranean area they would be prepared to co-operate effectively and to lend each other all the aid and assistance in their power.

GREAT BRITAIN

I. NATIONAL UNITY

IF the German invasion of Czechoslovakia served no other useful purpose, it restored to British opinion on foreign policy a unity more complete than it had enjoyed since 1935. Since the signing of the Munich agreement, Mr. Neville Chamberlain had been the object of bitter attack by Opposition critics, for his failure, as they put it, to "stand up to Hitler", and for his alleged betrayal of a democratic people to the fascist dictators. That this hostility was not shared by the majority of the electorate was suggested by the response to an inquiry organised by the British Institute of Public Opinion, the "Gallup poll" of Great Britain, which is admittedly still in its infancy. A select cross-section of voters were asked:

Which of these statements comes nearest to representing your view of Mr. Chamberlain's policy of appeasement?

(1) It is a policy which will ultimately lead to enduring peace in Europe.

(2) It will keep us out of war until we have time to rearm.

(3) It is bringing war nearer by whetting the appetites of the dictators.*

Of those asked, 28 per cent. assented to the first proposition, 46 per cent. to the second, and 24 per cent. to the third, 2 per cent. offering no opinion. Thus over three-quarters of those who answered at all were to be reckoned as supporters of the "appeasement" policy, though most of them on the slightly cynical if none-the-less sensible ground that it staved off war until we had a better chance of victory. It is significant that nearly one-half of those among the people interviewed who reckoned themselves

* *News-Chronicle*, March 15, 1939.

GREAT BRITAIN

supporters of the Opposition assented to this pragmatic approval of Mr. Chamberlain's policy, and another 11 per cent. to the full approval affirmed in the first proposition.

The by-elections have likewise given no sign either of great enthusiasm or of violent distaste for Mr. Chamberlain's Government. At Batley and Morley, the Labour majority rose from 2,828 to 3,896, on a poll of over 36,000, both parties receiving fewer votes than at the general election in 1935. There was a very similar result in South Ayrshire, where the Labour majority rose from 4,804 to 4,922, on a poll of approaching 31,000. In Kincardine and West Aberdeenshire, a National Government candidate received a majority of 1,121 over the same Liberal candidate who had been defeated by 2,636 in 1935, on that occasion by an avowed Conservative. In the Hallam division of Sheffield, a fortnight after the announcement of conscription, the Conservatives held the seat with a majority reduced from 10,952 to 6,094; but the fall was due to abstentions, deliberate or careless, on the Government side, not gains to Labour, whose poll was actually lower than in 1935. Three by-elections on May 17 had similar results. In the Abbey division of Westminster and the Aston division of Birmingham, Government majorities fell from 12,862 to 5,004 and from 10,355 to 5,901 respectively; in North Southwark, a Liberal National majority of 79 was converted into a Labour majority of 1,493; but in each of these elections the Opposition poll as well as the Government poll suffered a decline.

Labour has not increased its appeal by continuing to display disunity in its own ranks. The party executive, after expelling Sir Stafford Cripps from the party for having launched a campaign for a "popular front",* subjected two of his fellow M.P.s—Mr. Aneurin Bevan and Mr. G. R. Strauss—to the same penalty for associating themselves with Sir Stafford's campaign. The "heresy hunt" is being prosecuted with great thoroughness by the Labour

* See THE ROUND TABLE, No. 114, March 1939, p. 389.

NATIONAL UNITY

hierarchy. At its annual Easter conference, the Co-operative party rejected by a card vote of 2,854,000 to 1,923,000 a motion in favour of a "peace alliance" designed to eject the National Government, thus directly reversing its own vote of a year ago.

If, however, the opponents of Mr. Chamberlain and his works were in a minority, they made up for it by the fervour and earnestness with which their opinions about his foreign policy were held. They received a somewhat ambiguous reinforcement from Conservative critics like Mr. Eden and Mr. Winston Churchill, though on no occasion has there been any serious split in the Government ranks. But when the House of Commons debated the European situation on April 3, after the Government had announced Great Britain's pledge to Poland, Mr. Eden and Mr. Churchill were among the most cordial congratulators of Mr. Chamberlain, and the Opposition leaders themselves could do little but ask for more.* A few, including Sir Stafford Cripps, continued to demand the resignation of the Prime Minister as one whose policy had been a self-confessed failure, having indeed been followed by the very disasters that they themselves had predicted. Since the change in direction of British foreign policy after the March crisis, there has been, perhaps, less disposition to press for the inclusion of Mr. Eden in the Ministry, his supporters having been drawn entirely from the critics of the "appeasement" policy, who are now themselves appeased; but more for that of Mr. Churchill, since many Government supporters who had previously found themselves opposed to his views on foreign policy now began to hanker for his peculiar powers in reinforcing our defences to meet our new commitments. However, Mr. Chamberlain, having decided upon a Ministry of Supply—albeit an adjunct of the War Office only—gave this portfolio, not to Mr. Churchill, who had been the most

* A series of documents on the change in British foreign policy is printed on pp. 603-6.

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trenchant advocate of the creation of such a Ministry, but to Mr. Leslie Burgin, the Minister of Transport, whose special qualifications for the post had not been universally recognised. The new Ministry, apart from dealing with the problem of military supply, which has been rendered far greater by a sequence of decisions to increase the strength of the army, will also be responsible for acquiring and maintaining the reserves of essential metals and other raw materials required for the defence programme. Mr. Burgin was succeeded as Minister of Transport by Captain Euan Wallace, whose promotion entailed a series of minor ministerial changes.

II. CIVIL DEFENCE

ALMOST as striking as the change in the direction of British foreign policy has been the swift development of defence preparations. The expansion of the navy and air force has not been very much in the public eye, though a succession of warship launches, and reports of the steady increase of aircraft production, have encouraged us in the knowledge that these arms are being made stronger week by week. It is now some months since it was authoritatively stated that the output of military aircraft in Great Britain was of the order of 500 per month, and was still rising.

The centre of interest and controversy during the past quarter, in the field of defence, has been shared by civil defence and the army. In April, all local authorities were asked by the Government to arrange to give priority to civil defence business over all other matters for the next three months. The Government's own most notable move in this sphere was the introduction of a Civil Defence Bill, dealing chiefly with the measures to be taken by industrial and commercial undertakings and by public utilities for the protection of their employees. Among other provisions, the Bill authorised a 50 per cent. grant to public utility undertakings towards the cost of precautionary

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measures, made it compulsory to incorporate structural precautions in certain classes of new buildings, and imposed a statutory obligation on employers to organise air-raid precautions and to provide shelters for their work-people. The Bill also contained provisions relating to war-time organisation of hospitals and the preparation of emergency plans for the evacuation of the civil population from crowded areas.

Another outstanding development during the quarter has been the appointment of regional commissioners and deputy commissioners, who, among other eventual duties, would represent the central government authority in their respective areas if communications were cut. Potential dictators in war time, these functionaries have neither salaries nor executive duties in time of peace. Their names were such as to inspire every confidence. The appointment of a senior commissioner for London, a regional commissioner for Scotland, and a deputy commissioner for the northern region, was deferred, it was stated, until an emergency should actually occur; this course had plainly been indicated by the desirability of enrolling, for these offices, members of the Labour party, who found themselves unable publicly to accept the posts in advance of an emergency.

The problem of shelters for the ordinary urban population who would not be evacuated has been the cause of a good deal of controversy. Much publicity was given to a draft scheme for deep bomb-proof shelters for the public, elaborated by the Finsbury Borough Council. Eventually, however, the plan was rejected by Sir John Anderson, the Lord Privy Seal and Minister in charge of Civil Defence. Apart from technical difficulties to which his official experts had drawn attention, Sir John had been advised that "on any probable view of the conditions of an actual air raid there would not be any real prospect that the inhabitants of the borough as a whole would succeed within the warning period in gaining access to the proposed shelters". The

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Minister had, in fact, received from a specially constituted conference on air-raid shelters, under the chairmanship of Lord Hailey, a general recommendation against the construction of deep shelters.

The universal provision of complete immunity from risks (the conference reported) is impossible. What has to be sought is a balanced programme of reasonable protection, bearing in mind, first, that the factor of time is of vital importance and, secondly, that it is essential to avoid an immoderate diversion of the nation's effort from other activities directed to the maintenance of its own existence and the successful prosecution of war.

The objections raised to deep shelters included their relative inaccessibility, the danger of congestion at the entrances, the risk of creating "a shelter mentality", and the possible diversion of national effort from other more active measures of defence. The conference gave general support to the provision of dispersed shelters, each holding a few people, including under that term both special steel shelters and basements reinforced with steel structures. The Government had anticipated this recommendation by placing orders for large numbers of small steel shelters, which could be erected in gardens or back-yards, and which would be distributed free to those who particularly needed them and who were in receipt of incomes of less than £5 a week. Delivery of these shelters was begun at the end of February, and by Easter about 300,000 had been distributed, capable of accommodating up to 1,600,000 people. It was announced that a million more had been ordered, and that the rate of distribution would be doubled.

Among the other miscellaneous measures of civil defence that have been reported during the past three months have been the following. An information bureau has been set up at the Ministry of Health to advise businesses intending to transfer their headquarters from London or other crowded areas in the event of war; the businesses have been warned to avoid transferring to reception areas, where accommodation would be already taxed to the limit by the children and others evacuated from the cities, to the number

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of a million and a half from London alone. A general outline of war-time lighting regulations has been issued. The Government has set up a Civil Defence Research Committee, composed of eight leading scientists. A definite defence rôle, which will include the protection of public utilities and other vulnerable points, has been allotted to the National Defence Companies, which form a portion of the territorial army reserve. These companies, which are on a military basis, are open to ex-service men between the ages of 45 and 51.

Another field in which defensive plans have gone rapidly forward is that of food supply in the event of war. According to an official statement to the press, the machinery of rationing essential commodities is ready to start at a moment's notice, and a complete rationing system, such as that with which the last war terminated, would be in force within ten days. Plans include the decentralisation of food markets and the distribution of free iron rations to the refugees from the evacuated areas. The Food (Defence Plans) department has circularised all bakers inviting them to hold additional stocks of flour at or near their places of business, as a reinforcement to the centralised stocks which have been accumulated under government authority. Payment for this service is to be made at the rate of 2s. 6d per annum for every extra sack of flour stored. The department has appointed area officers who would, in war time, control the supply of meat and the movement of live-stock. It has also submitted to wholesale grocers and provision merchants, for voluntary action, a scheme whereby these distributors would form regional groups designed to render each other mutual aid in the event of war.

The Government has also announced plans for stimulating the production of essential foodstuffs in Great Britain, the central provision being a subsidy of £2 per acre of land, now treated as permanent grass, which is ploughed up before the autumn and brought into a state

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of cleanliness and fertility. It is expected that some 250,000 acres will be treated in this way. At the same time, the Minister of Agriculture announced that a reserve of fertilisers had been secured and arrangements made for their distribution, as well as the distribution of feeding stuffs, tractors and other machinery, implements and seeds required for war-time production.

III. CONSCRIPTION

EVEN more remarkable than these developments in the field of civil defence has been the revolution—for it is scarcely less—in policy and action in regard to the army. In presenting the army estimates, Mr. Hore-Belisha announced that the army was now to be organised on the basis of providing a field force of 19 divisions, which would be available for action in a European theatre if necessary. This force would include, from the regular army, four infantry divisions and two armoured divisions, and from the territorial army nine infantry divisions, three motorised divisions and an armoured division; in addition, there were two territorial cavalry brigades, and a number of non-brigaded units, regular and territorial. In planning his famous military reforms, said the Secretary of State for War, Mr. Haldane had projected a field force of six infantry divisions and one cavalry division only, and this was the striking force available for action in Europe in 1914. By contrast with pre-1914 days, the territorial force would now be equipped for a European war. Home defence would be undertaken by a new anti-aircraft and coast defence army.

This statement was made on March 8. At the end of March—the invasion of Czechoslovakia having taken place meanwhile—it was announced that the territorial army would be raised at once from a peace establishment of 130,000 to a war establishment of 170,000, and that this figure would itself be forthwith doubled, making a total of

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340,000. Questioned why, in a recruiting speech a few days later, he had proclaimed “Come on, the first 250,000”, instead of 210,000 as the above figures indicated, Mr. Hore-Belisha said that the quarter-million included “anti-aircraft units and everything: the figure we are aiming at is 450,000”. Within a few weeks, many of the territorial units had reached war establishment and were beginning to form their second line. In certain Government circles, there arose at this period a powerful agitation for a fresh scrutiny of the list of reserved occupations, members of which had been instructed not to enrol for defensive duties that would involve full-time employment in war; such duties, of course, included the territorial army. The principal amendments made since the list was first issued in February had been in the way of additions. At the end of April, however, the schedule was revised and categories removed from it that would release about 1,500,000 men. The number of men reserved between the ages of 18 and 50 is at present about 3,500,000, and the number not so reserved about 7,500,000.

A far more fundamental change in military organisation was to come. On April 26, Mr. Chamberlain announced the introduction of conscription. All men between their twentieth and twenty-first birthdays would be called up for six months' military training. On discharge after the six months they would have the option of entering the territorial army for three-and-a-half years or of passing to a special reserve of the regular army. About 310,000 men would be affected by this decision every year, but deductions would have to be made for various causes. The measure would be introduced for an initial period of three years only. Provision would be made for the exemption of conscientious objectors, but they would be obliged to undertake other work of national importance. Mr. Chamberlain justified this overriding of his previous pledges not to introduce conscription in peace time, by suggesting that the times through which we were living were not peace

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in any sense in which the term could fairly be used. As for the "conscription of wealth", which had been linked in discussion with the conscription of man-power, wealth was already very largely conscripted by taxation; but legislation would be introduced at an early date to limit by still further measures the profits of firms mainly engaged on rearmament. If war broke out, moreover, special penalties on profiteering would be imposed, and any augmentations of profits or individual wealth would be curtailed for the benefit of the State.

This measure, which was announced on the eve of Herr Hitler's speech to the Reichstag, was received with enthusiasm among most of the Government's supporters, and with cordial relief and congratulation in friendly foreign countries, particularly in France, where the failure of Great Britain to introduce conscription had been regarded with considerable resentment, not to say suspicion lest it betokened an intention to run away from European engagements through sheer inability to carry them out. It was, however, bitterly opposed by the Labour and Liberal Oppositions in Parliament.

The Opposition case is founded partly upon objections of principle. Compulsory military service is regarded as a derogation from democracy and freedom—an argument hard to sustain in face of the fact that almost every other democracy in Europe regards it as an essential democratic institution. Military conscription is feared as the precursor of industrial conscription. It is regarded, by some, as implying a wrong view of the part that Great Britain could most effectively play in a continental war, and as unnecessary to secure the size of army that we are capable of equipping and training in peace time, or of mobilising, transporting and supplying in the event of war. Critics of the British attitude, at home and abroad, must remember the long tradition of limited participation in continental wars, which was shattered in 1914 but again adopted as a result of the belief that hundreds of thousands of men fell

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unnecessarily in the British offensives in France and Flanders. They must remember, too, the tradition that the army is the instrument of an executive that has not always been fully controlled by the people.

After a first outburst, however, the Opposition concentrated their attacks more upon the manner in which conscription was introduced than upon its general substance. They bitterly attacked Mr. Chamberlain for having broken his pledges given to the House of Commons, to the trade unions and to the Opposition parties, not to introduce conscription in peace time, and for having made this sudden and revolutionary change in the marshalling of our man-power without first consulting the Opposition and the trade unions. It is possible, indeed, that greater tact might have been employed in announcing the new policy, but nothing in the Labour or Liberal attitude suggested that if those parties had been consulted they would have consented to this measure, which the Government and its military advisers, on the other hand, felt was urgently necessary in the light of our new commitments in Europe and the danger of war within a few months.

There have been signs that opposition to the principle of compulsion is not universal among the Labour and Liberal parties. Before the conscription measure was announced, a group of trade unionists had signed a memorial advocating some kind of compulsory service, as required for the defence of this country and the honouring of its commitments. A contemporary survey by the British Institute of Public Opinion showed that, among those in the sample who expressed a definite view, nearly one-third of the Opposition supporters actually preferred compulsion to the voluntary system in securing an enlarged army, joining in this opinion a bare half of the supporters of the Government.* The conclusion that conscription, once introduced, has the assent of a very large majority of the public is irresistible, and it has been noticeable that Labour criticism

* *News-Chronicle*, May 5, 1939.

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has tended to concentrate more and more upon the details of the measure. A motion approving the Government's policy was carried in the House of Commons on April 27 by 376 votes to 145. Although the Opposition Liberal party had officially declared itself as uncompromisingly hostile to that policy as the Labour party itself, nine of its members—including Mr. Lloyd George—voted with the Government, exactly the same number as voted against the motion.

The conscripts, who are to be known as militiamen, are to be paid 1s. 6d a day, with allowances for dependents. The decision to pay married allowances has entailed an expensive change in the army regulations on this score; for hitherto the regular soldier has not been able to claim married allowances before he was 26 years of age, a limit that has now been reduced to 20 years, since it would be manifestly unfair to leave him in a worse position than the conscript. Introducing the Bill, Mr. Chamberlain said that over its three years' term the measure was expected to produce a total of 800,000 militiamen. He declared that the provisions for the exemption of conscientious objectors would be interpreted sympathetically and generously.

In the same speech the Prime Minister announced that the Bill, which as drafted applied only to Great Britain but could be extended to Northern Ireland and the Isle of Man by order, would not be applied to Ulster. This announcement was greeted with disgust among the Northern Irish Unionists, who apparently looked forward with eagerness to the prospect of coercing the Catholic Nationalist minority to fight for England against their will, but with relief in the twenty-six counties and among those who believe that good relations between Great Britain and Ireland are of far greater defensive value than a few thousand conscripts more or less. British subjects who are ordinarily resident in parts of His Majesty's dominions outside the United Kingdom are also exempt.

Ireland, it must be confessed, is not as a rule much in

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the minds of British people in these days, but it has lately been forced upon their attention by a series of bomb explosions perpetrated by people describing themselves as members of the Irish Republican Army. The object of these childish but dangerous escapades has been, it seems, to end partition, but the only kind of partition that they have seemed like damaging has been the shopfronts of a few random firms in British cities and the walls of certain telephone booths, railway cloakrooms and public conveniences. No serious damage has yet been done, though attempts have been made to blow up electricity pylons, canals, and even Hammersmith bridge. The gentleman responsible for the last-named outrage was sentenced to 20 years' penal servitude, and several sentences of that term were meted out to men convicted at Manchester assizes of conspiracy to use explosives. At the time of writing, 38 men and women have been convicted of offences in connection with the explosions, and have received sentences averaging close on ten years each, not counting concurrent terms of imprisonment.

IV. THE BUDGET

REARMAMENT has to be paid for, and the bill for conscription has yet to be presented to the taxpayer. The defence estimates for 1939-40, as originally framed, totalled £580 million, an increase of £175 million on the 1938-39 figure. While people were wondering, with growing anxiety, how this sum was to be found, the Chancellor of the Exchequer asked Parliament to raise to £800 million the total of £400 million which the Defence Loans Act of 1937 had authorised him to borrow for defence purposes. Shortly afterwards he announced that he would borrow this year £350 million, a figure that would actually leave a smaller residue to be met from tax revenue than in 1938-39. Nor was this the final limit of his unorthodoxy. Between the presentation of the estimates and

the opening of the budget, decisions to expand the army (before the adoption of conscription) had added to this year's cost a further £50 million, of which Sir John Simon proposed in his budget speech to borrow £30 million.

In spite of this readiness to borrow, the Chancellor had no easy budgetary task. The year 1938-39 had ended with a deficit of £12,714,000, ascribable to a short-fall in income tax and more especially in estate duties. The recession in trade and the fall in capital values obliged him to keep his estimates of tax yields in 1939 to a conservative level, with the result that after deducting the sums to be borrowed he was faced with a deficit of £24 million. This he covered by a series of increases of taxation. A tax on photographic films and plates, equivalent to 2d per spool on the popular sizes of film used by amateurs, would yield £800,000 this year and £1,000,000 in a full year. An increase of the tobacco tax by 2s. a pound would yield £7 million this year and £8 million in a full year. Increases in surtax would produce £4 million this year and £5 million in a full year. A surcharge of 10 per cent. on death duties on estates exceeding £50,000, excluding agricultural values, would yield £3 million this year and £5 million in a full year. An increase of a farthing a pound in the sugar duty would produce £4 million this year and an extra half-million in a full year. Finally, the horse-power tax on private motor cars was raised from 15s. to 25s. per unit, to bring in £6,250,000 in 1939-40 and £11,500,000 in a full year. Against these additional burdens, the Chancellor conceded two small reductions of taxation, lowering the entertainment duty on "live" performances, and abolishing the stamp duty on patent medicines. In sum, his changes of taxation were just sufficient to make good his £24 million deficiency, and he balanced his budget—if that is the correct description for a process that includes borrowing £380 million for current purposes—at the huge total of £1,322 million.

The budget was greeted with general relief; for the

taxpayer had feared a much heavier call upon his means. It was attacked by the Opposition mainly on the ground that by leaving so much to be borrowed it made inflation inevitable, and so threw the real burden on wage-earners, pensioners and others least able to pay. No one can deny that there is danger of inflation when the Government proposes to borrow in a single year nearly as much as the estimated annual savings of the whole community. The compensating factor—a very important one, as German experience has shown—is the existence of a great deal of idle capital and labour, which a policy of large-scale government borrowing may bring into activity. The effect of rapid rearmament upon unemployment has already been felt. Between January 16 and April 17, the numbers unemployed in Great Britain fell by 395,000 to 1,644,000, the lowest figure recorded since 1937. The economic future, if we are spared the war that many of us fear, can only be a matter for speculation; for immense government borrowing, conscription for a quarter-of-a-million young men a year, and a considerable diversion of civilian activity from its normal channels, have produced an entirely new economic order of things, and may well produce a new social order.

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I. JOSEPH LYONS

THE whole Australian people, of every class and creed, was bowed in grief at the death of Mr. Lyons—grief as deep and widespread as has ever been evoked by the death of a public man in this country. Nothing had prepared us for it. The Prime Minister was only 59 years old. He had always been a healthy man. The strain of his official responsibilities had been especially heavy in recent weeks, but those of his colleagues who were personally closest to him had no suspicion that this strain had had results more serious than a weariness that could be cured by a few days' rest. On the Wednesday, we were told that he was suffering from a chill and had gone into hospital for a few days' rest. On Thursday, he became critically ill, from heart seizure. On Friday morning—Good Friday, April 7—he was dead, and his country was the poorer by the loss of one of the most honourable, straightforward, large-hearted men who ever took a part in its political life.

Joseph Lyons had no dazzling gifts. The qualities that enabled him to become the accepted and successful leader of a Government, and to hold that office with increasing respect and confidence for some seven years, were not compelling eloquence, nor dominating personality. He had great political capacity and shrewdness. But he held a sometimes very difficult party together, overcoming parliamentary crises that might easily have wrecked a more brilliant leader, and keeping to an increasing degree the confidence and the affection of the whole Australian community, through a simple, straightforward honesty, a genuine humanity, and an essential goodness,

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that were never doubted, even by his strongest political opponents.

This was the more remarkable in that Lyons was one of the not inconsiderable number of Australian public men who, having begun their political career as members of the Labour party, transferred their allegiance, and attained high office on the other side. Such men, for the most part, have never been able to shake off the bitter mistrust, often the deep personal rancour, of their erstwhile political friends. This was not the fate of Lyons. He left the Labour party in 1931, under circumstances that exempted him from any suspicion of self-seeking motives, and he incurred no personal mistrust or rancour. Indeed, his strong personal friendly relations with most of his political opponents helped him to achieve his success as a parliamentary leader.

He was a strong and loyal Australian. But he did not believe that there was any inconsistency between a whole-hearted devotion to the national interests of Australia, and an equally strong adherence to the British Commonwealth of Nations. He saw in our membership of the Commonwealth, not any limitation on our independence, but a fuller and more effective opportunity for our self-realisation as a nation. This spirit informed his whole policy in our relations with the Empire.

No sketch of Mr. Lyons would be complete without a reference to the deep but unobtrusive religion, which was the strongest influence in his life, and the secret of those qualities which so endeared him to his colleagues and his fellow citizens. He belonged to the Roman Catholic faith. He was a man of large-hearted tolerance, nor was there any touch of sectarian bitterness in his make-up. The spectre of sectarian strife, which in the past has played a large part in elections in this country, never seriously raised its ugly head at any of the federal elections since he became leader. He leaves among many thousands of Australians a deep sense of personal loss.

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II. THE NEW PRIME MINISTER

SINCE December the position of the federal Government has grown weaker. Even though its increased activity in defence matters has helped to arrest its drift to electoral unpopularity, it lost ground through its handling of the national insurance problem, which involved the resignation of the Attorney-General, Mr. R. G. Menzies. Though hardly a popular political figure, Mr. Menzies was an influential member of the Government. He resigned, according to his own statement, because he could not reconcile the latest policy of the Government in regard to national insurance with an undertaking that he had given to his constituents quite recently on the same subject. His attitude was generally commended by the press, but some observers felt that he might have stood by the Government at this critical period. Although the parting between Mr. Lyons and Mr. Menzies was friendly, the late Prime Minister undoubtedly felt the defection keenly—more keenly perhaps than was realised at the time.

The Government had had much trouble with its national insurance plans. In February it was apparently prepared to abandon the whole scheme, or at least to postpone its operation indefinitely. News of this alleged move leaked out and provoked a surprising demonstration of popular opinion, as reflected in most leading newspapers, against such a course. The *Sydney Morning Herald* and the *Melbourne Herald* both took a definite line, and by the time the party meeting—which had been specially convened, so it was stated, to bury the whole scheme—was held the Government had no chance of getting rid of its Old Man of the Sea. As a result of the meeting, the Government decided on a revised scheme, which was only a shadow of the scheme embodied in the existing legislation. It is doubtful whether this plan will be accepted by Parliament, as it does not satisfy any important political section and is opposed both by the friendly societies and by the doctors.

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The Government gave as its reason for the proposed reduced scale of benefits the increased expenditure necessary on defence. Repealing legislation is necessary if the original scheme is to be revised or abandoned, and the difficulty of getting this through Parliament may be considerable. The real lesson of this minor crisis was to show that the mass of people wanted national insurance, which had previously been supposed to be unpopular with a majority of the electors.

The death of Mr. Lyons raised acute problems regarding the choice of a successor. An interim Government was formed under the leadership of Sir Earle Page, but it was understood that Sir Earle would hold office only until the United Australia party had elected a new leader, who would then, as head of the largest party in Parliament, succeed to the Prime Ministership.

Of the members of the U.A.P. in the federal Parliament, only three had substantial claims to be considered as Prime Minister. They were Mr. W. M. Hughes, 74 years of age, an ex-Prime Minister and then Minister for External Affairs and Attorney-General; Mr. R. G. Casey, the Treasurer; and Mr. R. G. Menzies, the former deputy leader of the party. There was a move in some quarters to induce the High Commissioner in London, Mr. S. M. Bruce, to return to Australia and take over the leadership of the Government. This move, though it commanded widespread support, was in any case made rather too late to allow of its being a success; but it is understood that Mr. Bruce, when approached, indicated that he would return only on condition that he was invited by all the three federal parties, as he was unwilling to enter into party political life again. He would agree to lead only a National Government. The fulfilment of such a condition, however, is quite beyond the range of practical politics in Australia to-day. The claims of Mr. Stevens, Premier of New South Wales, were also canvassed, but the difficulty of finding him a federal seat proved insurmountable, and

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he was never really a likely candidate, though his driving force, administrative ability and leadership would be of great value at Canberra. The actual contest resolved itself into a struggle between Mr. Menzies and Mr. Hughes. The former was successful, it is stated by a narrow majority, and he has formed a new Government.

It is too early yet to try to estimate the effect of Mr. Menzies' election on the political life of the country. In many quarters it will not be welcomed. He has never been a popular figure, although he has been in public life for some years. A coalition Government, if that is practicable, may not work so easily under his direction as it did under that of Mr. Lyons. Mr. Menzies has never disguised his feeling that the Country party exercises an undue influence in federal politics, and he may be expected to attempt to curb this tendency. In this he will have some following, but he will be handling political dynamite which may blow his Ministry to pieces. Whatever doubts are felt at present concerning the future of his Government, there will be a tendency to withhold judgment and to allow him time to prove his capacity for leadership. The country needs this badly, and the people will be quick to react either to its presence or absence in the new Prime Minister.

The immediate effect of Mr. Menzies' election as leader of his party in federal politics was an indication that the Country party would not join any Government led by him. The need for the strongest possible Government is apparent to everyone, and Sir Earle Page will have to produce some extraordinarily strong reasons for his party's non co-operation if he hopes to get public support for his action. The community, as a whole, has been rather disgusted with the party and personal manoeuvres for position that have been going on during what is regarded as a period of crisis. The new Government will be judged largely by its ability to convince the public that it can handle the difficult problems that are associated with the defence of the

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Commonwealth. As Mr. Menzies is an advocate of universal service, this measure now becomes more than a possibility.

III. AUSTRALIA AND WORLD AFFAIRS

WHATEVER may have been the views of Australians about the Munich negotiations, after the German *coup* of March 1939 any sympathy for German aspirations was swept away. At any rate until then, the supporters of Mr. Chamberlain's policy were growing in number, particularly as responsible visitors from Europe came to this country with little but praise for Mr. Chamberlain's handling of what they termed a very difficult situation. Such diverse types as Lord Nuffield and Mr. Bruce brought much the same story. The broad significance of all the events of recent times is just beginning to be appreciated. If the threat of the dictator States has done nothing else of value, it has done much to stimulate a greater sense of national duty. The awakening process has definitely begun. Australians are beginning in a more lively way to take stock of international events. The sincerity of Herr Hitler's speech to the Reichstag on January 30 was doubted in many quarters, although in Government circles public utterances on the subject were reserved. The hard threats behind Herr Hitler's reference to countries with empty spaces, if they were sincere, and if they referred to Australia, were regarded as an example of the failure of Nazi politicians to appreciate facts. Many Europeans still fail to understand that only a small part of Australia is capable of close settlement. The greater part of it is desert or almost desert. Even those parts which are classed in Australia as good pastoral lands require special adaptability in anyone who would settle upon them, and a readiness to meet hardships of a type that is little known in Europe. It is noticeable that recent migrants do not take readily to settling anywhere but in the towns or the closely settled rural areas.

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Evidence of the strengthening of Great Britain's defence forces has been widely welcomed. So have the stiff pronouncements of the British Government on foreign affairs, and the moves for a closer understanding with Russia. Australians are not unmindful of the significance in the Pacific sphere of such an understanding. In an outspoken statement on March 23, Mr. Lyons declared that the pledges of Herr Hitler had been broken and agreements with Germany were now worthless. There is determination in Australia that Australia and its dependencies and mandated territory must be kept inviolate from outside interference. There is also a greater realisation that Australian interests will be affected by any further trespass on British interests in the East.

IV. THE DEFENCE PROGRAMME

THE last number of THE ROUND TABLE contained some particulars of the defence programme for the three years beginning June 30, 1938. In December the original estimated expenditure was increased to £63,000,000; the sum of £70,000,000 is now mentioned and accepted by the public as a necessary burden. Since Munich, the press and the lay public have offered heated criticism of many aspects of the Government's defence policy; this is due partly to a public awakening to defence needs after the deep slumber of a few years ago, and partly to legitimate resentment at official shortcomings. Faults lie both with the public and with the Government. The public, perhaps, has little appreciation of the enormous difficulties involved in the rapid expansion of any service. The demand for compulsory military service continues, and may become an important political issue under the new Cabinet. But the shortage of instructors and equipment may well provide a sound reason for its postponement.

In the meantime, the militia has exceeded the projected strength of 70,000, and it has been stated officially that more

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recruits will be accepted. The report of the Inspector-General, Lieutenant-General E. K. Squires, came before the Cabinet in February. It has not been made public, but it is understood to recommend the establishment of a regular army of 7,500 men, in addition to the militia. Apart from certain Labour organisations, such as the All-Australian Trade Union Congress, there have been no critics of this proposal, which has been generally welcomed as a real contribution to defence. The regular army, thus increased, will be an excellent training-ground for the officers and instructors required for an expanding militia force or a conscript army, should the latter be necessary at a later stage. At the end of February the press announced the partial adoption of the Inspector-General's report, and the public felt that the permanent force would soon be an established fact. But it was later stated that it was to be established over a period of five years, only 1,500 men being recruited during the first year.

The Government has now given more detailed consideration to the establishment of defence outposts. In a previous issue of THE ROUND TABLE,* reference was made to the proposed air and naval base at Port Moresby (on the southern coastline of New Guinea). Attention has been drawn in the press and in public addresses to the need for extending Australia's defensive sphere of influence to the Pacific islands not at present controlled as territories of Australia. A suggestion that the Empire should provide fortified bases stretching eastwards from Singapore to Fiji has interested the public. Many people are concerned about the ease wherewith raiders, or even more imposing forces based on the Caroline islands, might descend upon the Australian eastern seaboard. There has, however, been no official pronouncement on this subject beyond reference to Port Moresby and Port Darwin (on which £840,000 is to be spent this year), presumably because it is held impossible to extend the defence effort any further.

* No. 114, March 1939, p. 419.

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The question of adding one or more capital ships to the Australian navy has been discussed again. In December, Mr. Street, Minister for Defence, stated that the cost of securing one new capital ship for Australia would be in the vicinity of £16,000,000.* He made no mention of the possibility of securing a modernised ship to go on with, although that was the suggestion thrown out here some months previously by Admiral Sir Howard Kelly, an informed authority on Pacific naval matters. The Minister's statement was therefore incomplete, as it is understood that £16,000,000 would probably secure two or three modernised ships, if they were available, and the ancillary ships and equipment. The Minister's statement did indicate, however, that the Government would obtain expert advice concerning the construction of a capital-ship dock, so presumably the matter has merely been shelved for the time being. In the meantime, the modernised H.M.A.S. *Adelaide*, converted to oil-firing and otherwise reconstructed, has been re-commissioned. Later in the year H.M.A.S. *Perth* will be added to the squadron, making six cruising ships in all. The preparedness of the Royal Australian Navy is now much greater than at the time of the September crisis.

Considerable impetus has been given to the industrial side of the defence preparations. An advisory panel of business men has proved of considerable value. The Government, furthermore, has now determined to establish a compulsory national register.

Naval shipbuilding orders have so far been restricted to the Cockatoo dockyard. The whole of the naval shipbuilding in Australia, under the revised programme of December 1938, will be done at this yard. During the period ending in June 1941, it is contemplated that two flotilla leaders of the Tribal class, each of 1,850 tons, two sloops of 1,060 tons each of the Yarra class, three boom defence vessels of the Kookaburra class and twelve motor

* See THE ROUND TABLE, *loc. cit.*

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torpedo-boats will be constructed. While the shortage of skilled artisans in this industry has raised and will continue to raise serious problems, it is not disputed that in an emergency other yards could undertake naval shipbuilding, and the output of naval tonnage could be increased considerably.

In the supply of air-force equipment, the most significant recent step has been the bringing to Australia of a British air mission, headed by Sir Hardman Lever. Firms interested in the production of aircraft or with facilities for production have been encouraged to appreciate the function that Australia can exercise as a manufacturer of aircraft for neighbouring Empire countries. The future of the industry in Australia is bright. Much preliminary work remains to be done; apart from the setting up of factories, artisans have to be recruited, but there is much good material available. Orders for air-force planes, except elementary training planes, have so far been given only to the factory at Fisherman's Bend in Victoria, which has orders for 100 of the Wirraway type. It is understood, however, that the Clyde Engineering company, near Sydney, manufacturers of locomotives, farm and other machinery, propose, in association with well-known British manufacturers, to enter upon aeroplane production at an early date.

For present requirements, which are most urgent, the Defence Department is obtaining 50 Lockheed planes from the United States, 100 Wirraway planes from Melbourne, and 40 Avro Anson planes on charter from England. More modern planes than Avro Ansons are on order from England, but when they will enter the service is doubtful. In January 1939 equipment valued at nearly two million pounds, ordered in England, had not yet been delivered. This lag has forced the Government to order in the United States. It has been publicly stated, with authority, that the air mission, which has made its report to the Government, is satisfied that a substantial

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output of air-force planes could be expected from the future Australian aeroplane industry. The Government has adopted the report and is taking steps at once to implement it. It is understood that assembly factories will be established at Sydney and Melbourne, and that government railway workshops and private factories will co-operate in the manufacture of essential parts.

Besides the extension of the Royal Australian Air Force stations at Laverton, Richmond and Point Cook, stations are now being developed at Perth, Port Darwin, Canberra, Townsville and Amberley. A start will soon be made with further stations between Sydney and Brisbane and at Port Moresby. The objective is to build station equipment sufficient to house and operate 19 squadrons with a first-line strength of 212 planes.

The supply of army equipment is in arrear, and the delay, which has given rise to many warnings, is perhaps one of the reasons why some Government supporters have hesitated to insist on compulsory military service. The increase of the voluntary militia from 35,000 to 70,000 in a matter of months has created a shortage even of preliminary equipment, such as uniforms. The production of machine guns and rifles is stated to be sufficient for present requirements, but supplies of the Bren gun have not yet come forward from Lithgow, where the factory for its production is still incomplete. Heavy equipment, such as artillery, is produced in insufficient quantities, and much remains to be done in this department. An immediate emergency would find the new militia insufficiently supplied with artillery and accompanying equipment. Anti-aircraft guns are now coming forward to anti-aircraft units, but not yet in sufficient quantities for a major war in the Pacific sphere. In February, however, Mr. Lyons was able to announce that "we are no longer dependent upon overseas factories for mobile types of guns". Ammunition supplies have also much improved.

As regards raw materials used in defence, it is officially

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stated that magnesium and aluminium for aircraft construction may shortly be obtained in substantial quantities from crude ore deposits in Tasmania. More important still is the achievement of co-operation between the major oil companies and the Government on the question of accumulation of oil supplies, with the aim of increasing the stocks now carried.

At a public meeting in the shipbuilding district of Balmain, Sydney, Mr. Street made it clear that he would demand value for every penny spent in defence, together with efficiency and despatch, in order that the programme should be fully completed by June 1941. His statements, made from time to time, have inspired confidence in widely different political quarters. The readjustment of public opinion since Munich has tended to swing Australian public opinion, not so much behind the Government, as behind the defence programme, which is supported by representatives of all shades of political thought, although not by all political organisations.

On such issues as compulsory military service there is much difference of opinion. In the Labour party there is a greater disposition than formerly to support the proposal. While the Australasian Council of Trade Unions, among other working-class bodies, is still officially opposed to compulsory military service, there is every indication that many members of the Labour rank and file are restive, believing that the anti-compulsory-service plank does not strengthen the Labour platform. Generally speaking, there is now not much difference between the Government defence programme and that of the Labour party. Mr. Curtin, indeed, charges the Government with stealing his important defence points and making them its own. Whatever may be the protestations of political parties in Australia to-day, the guiding factor is a public opinion that wants defence and seems prepared to foot the bill.

Australia,
April 1939.

SOUTH AFRICA

I. POLITICAL CHRONICLE

THREE paragraphs are being written during the course of the parliamentary session which has lasted, save for the customary Easter recess, since February 3. On the whole it has been a successful session for the Government, and most of the forebodings of difficulty have been belied. To a large extent this is due to General Hertzog's success in creating the right atmosphere for his English-speaking supporters. They had been gravely disturbed by the events that sprang from the Voortrekker centenary celebrations of last year.* The renaming of Roberts Heights as Voortrekkerhoogte had come as a profound shock to the sentiment of most English-speaking South Africans. At the same time they were disturbed by the movement, born out of those celebrations, for the political reunion of Afrikaans-speaking South Africans, at present divided between the United party of General Hertzog and the Nationalist party of Dr. Malan. This would relegate the English-speaking citizens to the position of a minority racial bloc. This latter movement, be it said, was sponsored by no one less than the Prime Minister's own son, Dr. Albert Hertzog. This fact added to the uneasiness, but it gave the Prime Minister his opportunity. In a most admirably conceived and expressed letter, addressed to his son and published in the press, he decisively rejected any proposal for reunion that did not take account of English-speaking South Africans, and asserted again the necessity of co-operation between the two sections, which is the essential basis of the United party. Largely because of

* See THE ROUND TABLE, No. 114, March 1939, pp. 424 et seq.

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this letter, the disaffection within the United party that had been stimulated by the Roberts Heights episode almost completely died away, and the Government's course in the House during the first half of the session became a smooth one.

On the whole, too, the decline in the Government's popularity in the country has been checked. It has had the misfortune of having to fight, within a period of two months, four by-elections in seats that it had won at the general election last May—a large number in relation to a House of 153 members. Three of these seats it retained, though with reduced majorities. In the fourth, Paarl, a constituency near Capetown, a favourable majority of 427 was converted into a hostile majority of 107—in itself not a very large turnover of votes at a by-election in a constituency of 8,000 voters.

In three of these by-elections the contests were straight fights between the United party and the Nationalists: in the fourth, at Pretoria city, a Dominion party man also entered the lists in a constituency never yet contested by that party. He was decisively defeated, and his defeat seems to have contributed to the party's decline, which has been going on since the general election of last year. There are to-day definite signs of impending disintegration of the Dominion party. It has virtually no hold in the country anywhere outside Durban, and it is losing ground there. The English-speaking section of the country seems to be rallying more and more to the Government's support: as the news from Europe has grown in gravity, the necessity of maintaining a united front has come to be increasingly appreciated.

The by-elections have shown, however, that the Nationalist Opposition is still gaining ground, though not as rapidly as it had hoped. The programme that it has been putting forward, though effective in the stimulation of sentiment and prejudice, fails entirely on the constructive side. The main debate of the session so far, apart from the budget

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debate, was on an Aliens Amendment and Immigration Bill introduced by Mr. E. H. Louw, who returned to South Africa last year after representing the Union in Washington, London and Paris, and is now a Nationalist member of Parliament. That Bill was a definitely and unashamedly anti-Semitic instrument. It sought to terminate completely Jewish immigration, which had already been severely curtailed by the Aliens Act passed two years ago, and to apply certain discriminatory provisions to Jews already in the Union. The Bill was decisively rejected in Parliament, all the other groups voting with the Government against a Nationalist minority of 17, but it won for the Nationalist party a certain amount of support in the country, where anti-Semitic feeling has become a far from negligible factor.

The other main feature of the Nationalist party's activity has been the stimulation of anti-colour prejudice. It has seized upon anything that might stir up the always susceptible feelings of a large section of the people of South Africa in matters affecting natives and Coloured people and Asiatics. In particular, it is pressing for the segregation of Coloured people and Asiatics, and by doing so has caused the Government a good deal of embarrassment. Many Government supporters feel just as the Nationalists do in these matters, while others retain, in varying degrees, a measure of liberal tradition and sentiment. The question as it affects the Cape Coloured section of the population is dealt with in a later part of this article. The Asiatic aspect has presented the Government with special difficulties. At one time it appeared as if the Government, in order to pacify some of its supporters, was going to introduce an Asiatic segregation law, to the intense resentment of the Indian community in South Africa and the people of India. It appears, however, that the Government of India made representations, and that the matter is to be the subject of further consultation between the two Governments, by round-table conference or otherwise.

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Certain other highly contentious proposals were foreshadowed earlier in the session, giving colour to the view that there is a growing authoritarianism in the Government's outlook. One such proposal was for a drastic alteration of the rules of procedure of the House of Assembly, a proposal that seemed to ignore the experience gained in other parliaments, that it is by consultation between the parties rather than by the application of compulsion to the Opposition that the smooth working of the parliamentary machine can best be secured. At about the same time there was also foreshadowed the introduction of legislation for the control of the press, of the political activities of teachers, and of public meetings.

As the parliamentary session has advanced, however, all issues of this kind have tended to be eclipsed by the gathering war-clouds in the European firmament. As to the stand that South Africa would take if war were to come, the Government has not in terms given a clear indication. The position as defined by the Prime Minister remains in general much the same as it was last September.* In one respect, however, there has been a significant change. Referring to the Union's position in the event of war, the Prime Minister said in the House on March 23 :

When and where the activities of a European country are of such a nature or extent that it can be inferred therefrom that its object and endeavour are the domination of other free countries and peoples, and that the liberty and interests of the Union are also threatened thereby, the time will then also come for this Government to warn the people of the Union and to ask this House to occupy itself with European affairs, even where the Union would otherwise have no interests or would take no interest in them.

Although, as this statement indicates, no opportunities have been provided for a debate on external affairs, it is permissible to infer from it that the aggressive aims of the totalitarian States, and the threat to freedom which they imply, have come to be appreciated in South Africa far

* See THE ROUND TABLE, No. 113, December 1938, p. 51.

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better than they were in September 1938. The decision of the Government to amalgamate the police force of South-West Africa with the South African police, and to send substantial reinforcements of Union police to the territory, can only be interpreted as a response to the realisation that the German minority there might be used to give point to that threat.

II. DEFENCE.

TWO years ago an account was given in THE ROUND TABLE* of the Union's defence schemes as then proposed. The swift march of events since then has made defence the primary national problem of the moment. There is little doubt that if war had come in September or October of last year the Union's internal politics would have necessitated a determined attempt to remain neutral. The progress of German policy, however, from the achievement of German unity to the aim of foreign domination, has wrought a considerable change in outlook in the Union. Even a portion of the Nationalist party is experiencing doubts as to the wisdom or feasibility of neutrality at all costs.

Considerable interest therefore attaches to Mr. Pirow's recent statement on defence in the House of Assembly. With one exception, the main lines of policy described two years ago remain unchanged. This exception concerns the proposals for mechanisation, which have been dropped. After extensive review, the Government has concluded that the thick and difficult nature of the bushveld country, where land fighting might be expected, and the absence of proper roads, make the development of mechanised units unwise—a remarkable conclusion.

As far as coastal defences and air and land defence are concerned, it is clear from the Minister's statement that progress has been patchy. Coastal defence, depending

* No. 107, June 1937, pp. 556-65.

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largely on the obtaining of heavy armament from overseas, has obviously been delayed by the prior pressure of Great Britain's own needs. Little therefore has been achieved towards making harbours such as Capetown "battleship proof", except the acquisition from Great Britain, on indefinite loan, of the monitor *Erebus* with its 15-in. guns. For the same reason, aeroplane strength, though ahead of schedule, represents no more than the minimum of present needs. In view of these difficulties, efforts have been concentrated particularly on what can be achieved within the Union. Training of air force pilots and mechanics has proceeded apace. The plans made had budgeted for 50 pupil pilots, 100 fully trained reserve pilots, and 800 mechanics: the figures achieved to-day stand at 432, 150 and 2,080 respectively. The total of infantry available at short notice is now 28,000, and of those available within three months 53,000, only 3,000 short of the total planned for the end of the five-year period. Similarly, the number of men in defence rifle associations, standing at 50,000, exceeds expectation by 30,000.

In regard also to the local manufacture of munitions and armaments, considerable progress is being made. Small-arms ammunition has for some time been manufactured at Pretoria and production of heavier types is now planned. Arrangements are now being concluded with some of the chief engineering concerns on the Witwatersrand for the production of heavy artillery and trench-mortars. Experiments are being made with the manufacture of tanks, and it is reported that representatives of the Skoda works will shortly arrive in the Union to supervise production of the Bren machine gun. Finally, the Union Government is employing the powers it possesses under the Defence Act to compile a national register of available man-power between the ages of 17 and 60.

These defence activities mentioned above, and the recent despatch of police reinforcements to South-West Africa, make it reasonable to infer that the Union is to-day less

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complacent than formerly about its immunity from involvement in the crises of Europe.

III. THE BUDGET

MR. HAVENGA had last year budgeted for a deficit of £100,000. He introduced his budget this year with the estimated deficit turned into an estimated surplus of £1,650,000. Indeed, later figures of revenue collections show that the realised surplus was still larger. The main reasons for the favourable budgetary position with which the new financial year opens are, first, the accident of an unexpected gain of £275,000 from death duties; secondly, the rise in the price of gold, which brought in another £355,000 from income tax upon gold mines; and, thirdly, the maintenance of profits in industry and commerce at an unexpectedly high level, which resulted in the receipt of some £307,000 more than had been anticipated in income tax on non-mining companies, while super-tax on individuals exceeded the estimate by £164,000. It is rather remarkable that these increased income-tax yields should have taken place when imports were being cut down so severely that customs duties yielded £250,000 less than the estimates, and well over £1,000,000 less than the yield for the previous year, although they included a windfall £300,000 collected upon imports of wheat, which normally are not allowed.

The Treasury expects a similar buoyancy to continue during the coming year. Mr. Havenga forecast a gross income of £44,110,000, against an estimated expenditure of £42,820,000 from revenue funds, providing an apparent surplus of £1,290,000. Out of this, £50,000 is to be sacrificed by a restoration of the rebate on normal income tax to its old level; the total cost is £600,000, but the current surplus is to be drawn upon for £550,000, which is the estimated yield of the lowered rebate in the year just past. An additional expenditure of £300,000 upon

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armaments has been put down on this year's estimates, and the rest of the 1938-39 surplus is to be devoted to the same purpose. Additional help for farmers is to be given through state-subsidised rebates on the rail and road freights on various farm products and farm requisites, at a cost to the Treasury of some £800,000. The levying of importers' licences, an unpopular tax imposed by the Cape provincial administration, and one that had become something very like an additional import duty, such as provincial councils are not competent to impose, is to be abolished; and the Cape Province is to be recompensed with an annual grant of £160,000. Provision was also made in the budget for the whole proceeds of the native poll tax to be made available for native development, if the responsibility for native education should be handed over by the provincial administrations to the Union Department of Native Affairs, at an additional cost of £180,000. In this way the surplus would be converted into an anticipated deficit of £200,000. As negotiations for the transfer of native education have broken down, the additional grant to the Native Trust will not be paid, and the estimated deficit is thus reduced to £20,000.

Last year the Treasury evidently expected the reduction of normal income-tax rebates to be progressive until they disappeared entirely. This year it evidently felt that it could look forward into the future with more confidence, and was willing not only to restore the full 30 per cent. rebate, but also to bring £550,000 of last year's surplus into the current year's accounts in order to enable it to be done without strain.

If there is general satisfaction with the revenue accounts, it cannot be said that the position of the loan account is quite so healthy. Expenditure is estimated at over £24,000,000. A local 3½ per cent. loan floated at par during the last year yielded merely £3,500,000, of which only £2,630,000 was taken up by the public. No less than £11,400,000 of the £17,200,000 raised last year was

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obtained by the cheap but relatively precarious method of issuing treasury bills. Negotiations are on foot for the resumption of overseas borrowing, but it seems impossible that loans can be secured on as easy terms as in the immediate past. The position has been relieved to some extent by the action of the Stabilisation Fund in following the example of the British Exchange Equalisation Fund and taking advantage of the higher market price of gold, but even so the funds available for the purchase of land in the released areas by the Native Trust are to be halved from £2,000,000 to £1,000,000. As the £4,000,000 already spent have only bought a million morgen of land, it would appear that there may yet be considerable delay before the 7,250,000 morgen promised for exclusive native occupation are made available for that purpose.

It cannot be said that all observers agree with the Minister's apparent claim that the rapid expansion of the loan votes since 1932 has in every instance resulted in "enhancing the permanent assets of the country". There is much to be said for the plea of Dr. N. J. van der Merwe, M.P., when he said: "I think that the Minister should bring our ordinary budget and our loan budget closer to each other, so that it is indicated to the public that our total expenditure is greater than our revenue".

IV. SEGREGATION AND THE COLOURED PEOPLE

IN a previous issue of THE ROUND TABLE* an account was given of the origin and the present position of the Coloured people of South Africa. It was then pointed out that

of the Union's non-European peoples the Coloured have been longest and most intimately in contact with Western civilisation, and have therefore become most thoroughly assimilated to it. . . . The attitude of the Europeans and their government towards the Coloured is, therefore, a good test of the extent to

* No. 111, June 1938, pp. 618-23.

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which they are prepared to take their stand "on the firm and inexpugnable ground of civilisation as against the rotten and indefensible ground of colour".

The article then went on to cite a number of fields in which European Governments in South Africa had practised discrimination against the Coloured people, mainly since Union, and concluded with the prophecy that, owing to the growth of colour-consciousness in South Africa, further acts of discrimination were bound to follow.

The prophecy is now in process of fulfilment. Already the ominous word "segregation" is on the lips of everyone. It is to-day widely believed that segregation is the best means of solving what the people are pleased to call the "Coloured problem". Segregation has become a word to conjure with in South Africa. General Hertzog, so it is stated, has "solved" the native question by his policy, already translated into law, of political, territorial and industrial segregation.* So far as the Coloured people are concerned, residential segregation has long been enforced against them in the ex-Boer republics of the Transvaal and the Orange Free State, while in the Witwatersrand area they may not occupy any building for any purpose whatsoever, except in certain defined localities. In the ex-republics, Coloured persons are, furthermore, kept out of certain employments by the European trade unions, and they enjoy no form of parliamentary franchise. In the Cape and Natal, on the other hand, the Coloured people have for a century enjoyed the right of occupying fixed property wherever they chose, and of engaging in any occupation, though the Government's "civilised labour policy" has now begun to restrict their opportunities of finding employment.† They still vote in the same constituencies as the Europeans, but have to satisfy conditions that are no longer imposed on the latter.

* Industrial segregation means the exclusion of natives (Bantu) from certain spheres of employment.

† See THE ROUND TABLE, *loc. cit.*

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The agitation for Coloured segregation was started by the Nationalists of the Cape Province, where the vast majority of the Coloured folk live. In a heterogeneous community such as ours, the appeal to racial prejudices and fears must always be one of the easiest means of achieving popularity among certain sections of the people. The National party has made full use of the racial weapon ever since its inception in 1912. First it was the Black peril, now it is the Jewish and Coloured menace. In May 1937 the segregation appeal scored its first success, when the Cape provincial council passed a resolution asking for legislation to *compel* municipalities to establish separate residential areas for White and Coloured people. In April of the following year the administrator of the Cape Province, with the concurrence of his executive committee, published a draft segregation ordinance in order that the Cape municipal congress then in session might express its opinion thereon. The ordinance *allowed* municipalities to decree segregation, not only in residential areas but also in such buildings, conveyances, and places of entertainment or recreation as were under the control of the municipalities. The municipal congress refused to express an opinion on the ordinance, on the ground that the delegates had not had enough time to consider it. When the measure was subsequently introduced into the provincial council the United party, who form the majority of the House, succeeded in postponing consideration of it until the municipal congress should have expressed its opinion. This the congress has now done : during its session which has just concluded it accepted the principle of the segregation ordinance by 126 votes against 33, the delegates of the four largest towns (mainly English-speaking) voting in the minority against the representatives of the smaller (and mainly Afrikaner) towns.

In the meantime the Nationalists had intensified their segregation campaign. The celebrations of last year in honour of the Voortrekkers, who were represented as

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having made the country safe for "White" civilisation, gave their politicians a great opportunity. At the Blood river on Dingaan's Day, 1938, Dr. Malan, the Nationalist leader, speaking on the site of the Voortrekker victory over the Zulu chief Dingaan, took as his text the second Great Trek, the trek of the poor Whites to the towns, and the victory that would have to be won if these Afrikaners were to be saved for "White" civilisation. Over whom? That question had already been answered at the Union congress of the National party in November, when, as Dr. Malan wrote afterwards, the Cape Nationalists called the North to their aid, and inaugurated a nation-wide segregation campaign against the Coloured people. A petition was drawn up for circulation throughout the Union, demanding the prohibition of marriages or extra-marital unions between White and Coloured people, as well as residential, political and industrial segregation. Political segregation means the creation of a small number of purely Coloured constituencies (as has already been done for the Bantu) and hence the setting of a definite limit to the influence of the Coloured vote. Industrial segregation has been defined by *Die Burger*, the leading Nationalist newspaper in the Cape, to mean the reservation of certain industries, and certain kinds of work in other industries, exclusively for Europeans, and, in "mixed" industries, the establishment of quotas for Europeans and various types of non-Europeans.

It is important to be quite clear on the nature of the feelings that the Nationalist campaign has succeeded in stimulating. In former days, in the days of General Hertzog's "Black Manifesto", the Nationalists appealed to the sentiment of fear—fear lest a handful of Europeans be overwhelmed by the great mass of Bantu barbarians. This kind of fear can hardly be used against the Coloured people, who total only 768,000, who cannot be described as barbarians, and a number of whom enjoy a higher standard of civilised living than, for example, the poor Whites.

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But it is possible to describe them as a menace to the purity of the European race. And that is the line which the agitation is taking. The emphasis is on purity of blood. Coloured blood is bad blood, and from its infiltration the European must be saved, no matter at what cost. One of the leading Nationalist spokesmen said recently that discrimination based on colour, and the necessity of keeping the European race in South Africa pure, were "axiomatic" considerations. As late as 1932 the Nationalist leaders were still ashamed to admit that their non-European policies were based on colour rather than on civilisation. They have travelled quite a long way since then.

It goes without saying that the campaign which the Nationalists have been conducting must be deeply wounding to thousands of Coloured folk. Its most notable feature is the contempt that has been poured upon them. Through a large number of Nationalist speeches and writings there runs this refrain: "Europeans are living and working side by side with the Coloured people. The shame of it!" Whoever wants corroboration of this, let him read the columns of *Die Burger*. These arguments have been reinforced by insistence upon the depreciation of the value of house property that is said to follow on the entry of Coloured people into a predominantly European area; this has tended to weaken opposition in many quarters normally not responsive to Nationalist propaganda.

The Nationalist agitation proved so successful that the Government has now found it expedient to bow before it and to adopt a segregation policy of its own, which has been endorsed by the party caucus. The Government has not yet published the details of its measure, but has merely stated in very general terms what is in its mind, no doubt in order to test the reaction of the country. It has declared itself opposed to political and industrial segregation, but in favour of a move in the direction of residential segregation, partly on the mistaken ground that the Coloured people themselves do not desire to mix with Europeans.

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While the Nationalists propose to bring about complete separation between the races within a definite period, General Hertzog declares that the Government intends "to interfere as little as possible with existing rights of ownership or occupation". To which General Smuts adds: "We are not going to interfere with the present *status quo*, but we are going to peg the present position, to see that it does not develop further".

In comparison with the Nationalist policy, this proposal is certainly lenient. Nevertheless, if it were to become law an important change would have been effected in the status of the Coloured people in the Cape Province and Natal. When General Hertzog first outlined his Bantu segregation policy in 1925, he stated categorically that such a policy would not be applied to the Coloured people, since they belonged with the Europeans. No people can be expected without resentment to submit to the loss of rights long enjoyed, particularly if the motives behind the deprivation place a stigma on their race. Moreover, with the recent history of this country to guide them, how can the Coloured people be sure that this new dose of discriminative legislation will be the last?

The announcement of the Government's segregation programme brought to a head the anti-segregation movement that for some time had been agitating the Coloured people. The movement had started as a protest against the Nationalist segregation campaign, and, as the latter gathered momentum, so did excitement steadily rise among the Coloured people. Numerous anti-segregation meetings were held and anti-segregation petitions were circulated. Attempts were made (and are apparently still continuing) to galvanise into more vigorous life a non-European front consisting of Coloured people, Bantu and Indians in order to fight segregation, which now affects all three peoples, though in varying degrees. A number of churches of British origin supported the Coloured protests. The federal council of the Dutch Reformed Church,

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on the other hand, passed a motion in favour of segregation.

The first official intimation of the Government's segregation policy was given on March 21. Soon afterwards there came an announcement that on an appointed date Coloured meetings of protest would be held throughout the country, while on a given Sunday there were to be special prayers in all the Coloured churches. On the evening of March 28 a protest meeting attended by a crowd of over 10,000 Coloured people (according to a newspaper estimate) was held on the Parade in Capetown. The meeting, which was perfectly orderly, broke up at ten o'clock, when most of those present joined a procession, which, it was intended, should march past Parliament House. Some distance up Parliament-street the police ordered the leaders of the procession to turn into another street. A section of the people, however, continued their course, sweeping the police out of their way and injuring four of them.

After the Parade meeting had closed, some property was damaged in various parts of Capetown. Police vans traversed the city breaking up bands of demonstrators. In a number of cases, so it was alleged, the police attacked quite innocent people. The Minister of Justice (General Smuts) at first pooh-poohed the allegations, but later, when more evidence was produced, he said that his department found it very difficult to get at the facts, since the aggrieved persons refused to bring their complaints to the police. He guaranteed fair treatment to any Coloured complainant who came forward; but he would not agree to a commission of inquiry. Here the story must break off for the time being.

Union of South Africa,
April 1939.

NEW ZEALAND

I. EXCHANGE CONTROL

AT the end of 1938 New Zealand was able to look back upon a year described by the Prime Minister as one of record prosperity. Whether or not "prosperity" is the right word to use, it seems clear that the combined effect of the Government's policy and several satisfactory export seasons had produced a year in which internal wage levels, business activity, employment, and individual spending were higher than ever before. The figures for motor-vehicle licences, radio licences, totalisator receipts, telephone connections and notes in circulation reached new high levels, while the number of marriages constituted a record for the Dominion. The manager of one of the largest retail stores was reported as saying, "It's the best year we've ever had. The people are easy to please and apparently have plenty of money to spend." Nevertheless there were other signs—signs that the fates would not be so kind to the Government in its second term of office as they were in its first. The excess of deposits in the post office savings bank, which had taken place in 1937, had changed by the end of 1938 to a substantial excess of withdrawals; exports were declining not only in value but also in quantity; advances to the Government by the Reserve Bank for purposes other than marketing were rapidly increasing; and the latter part of 1938 saw a rapid fall in the sterling funds held in London by the Reserve Bank and the trading banks.* It was apparent that the country, as well as its citizens, had been drawing on its bank balance; and the close of the year was marked by

* See table below, p. 654.

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the gazetting of the export licences regulations and the import control regulations.* This, however, was not sufficient to deter New Zealanders from enjoying, in the words of a Labour newspaper, "the happiest and the best spending Christmas New Zealand has ever known".

With the Christmas season over, and the importers beginning to receive the first batches of their import licences from the customs authorities, the country settled down to take stock of its difficulties. The importers discovered that, as had been feared, imports were to be drastically reduced. The working rule adopted by the customs authorities, on instructions from the Minister (Mr. Walter Nash), was to issue licences for the first six months of 1939 based on each importer's figures for the first six months of 1938, with such modifications as the Government's policy required. The nature of these modifications was not disclosed, and all that importers knew was that some had received no licences at all, some had received licences for more-or-less reduced quantities, and some had received licences for all they wanted. No clear plan was discernible, and there were many anomalies and hardships. The importers, assisted by the press, made vehement protests about the difficulty of doing business under these conditions, and the Minister was subjected to strong criticism for his secrecy, which was described as "arrogant silence", "autocratic and inexplicable reticence" and so on. The Minister did not help matters by saying, in reply to certain overseas comment, "They are still guessing, and they will go on guessing". An Auckland body known as the Bureau of Importers decided to challenge the validity of the regulations before the Supreme Court, whereupon the Prime Minister replied: "What the Government has not authority to do it will soon have authority to do. That is all I will say about that at this stage." It is not surprising that New Zealand importers were in January very angry men.

* See THE ROUND TABLE, No. 114, March 1939, p. 335.

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Yet the more far-sighted members of the business community were even then able to take a more reasonable view. A past president of the Associated Chambers of Commerce pointed out that the time was not one for recrimination, that in a democratic country the electorate must take its share of the responsibility, and that if the Prime Minister would take the people into his confidence, and say that we must tighten our belts and pay for the glorious picnic of the last three years, he could be assured of public-spirited co-operation by everyone. But the Prime Minister rejected even this olive branch and said: "I do not agree with that philosophy and all I can say is that we are not going to tighten our belts". The Minister of Finance was more accommodating. In addition to replying by letter to points raised by a previous deputation of importers, on January 25, less than two months after the imposition of the regulations, he explained his policy to a conference in Wellington, convened by the Associated Chambers of Commerce and attended by over seven hundred business men from all parts of New Zealand.

The rapid fall in sterling funds was due, he said, to three causes: first, the repatriation of funds left in the country after the raising of the exchange premium on London in 1932; secondly, a concerted effort on the part of some New Zealanders to send their money out of the country; and, thirdly, the increased importation of goods. He did not propose to go into the origin of the last cause, but for the calendar year 1938 exports were approximately £8.2 million sterling short of the amount required to pay for imports and debt and other services for that year. During the coming year, moreover, certain loans, both government and local body, were falling due in London, and if these were to be repaid £18.5 million sterling would be required for the purpose. Further, the accelerated defence expenditure meant that large quantities of goods needed for the three defence arms would entail a heavy charge on sterling funds. To meet this situation the Government

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had three courses open to it: to increase tariffs, to allow the New Zealand pound to depreciate, or to control exchange and ration imports. The Government had decided to take the last course, but each one of the possible courses involved a restriction of imports. In the view of the Government, if imports had to be reduced, it was but common sense to select the imports desired. Unless they found a way of extending manufactures in the Dominion, there was no future for quite a large section of the young people. Imports would therefore be selected in the following order: first, the fertilisers and equipment necessary for primary production; secondly, the capital equipment and raw materials necessary for secondary industry; as to the rest, the principle would be that first preference would be given to the United Kingdom. He went on to say that the Government could now see for the first time what happened to the proceeds from the sale of exports, which had in the past been partially known to the trading banks and the Reserve Bank; it was only during the last six weeks that the Government had begun to see the ramifications of credit and currency and their effect on sterling funds. He concluded with an appeal for co-operation and an undertaking to remove as far as humanly possible any hardships or anomalies.

The conference then proceeded to prepare a series of written questions to the Minister, and on the second day he attended in person to answer them. Among the important points arising from his answers were these. The duration of the system depended upon the attainment of its objectives; the objectives were to conserve sterling funds in order to provide for debt services and other commitments overseas, for raw materials for New Zealand industry, and for the import of goods that could not be economically produced in New Zealand. It was not practicable to make public the basis upon which import licences were allocated, nor at present to publish a list of prohibited commodities; nor was it possible to state more

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definitely than he had already indicated the amount by which he expected to reduce imports in the current year. Subject to the protection of local industry, special consideration would be given to oversea firms that were prepared to send goods to the Dominion and leave the proceeds for investment within the country. No transfers of licences would be permitted.

The conference passed resolutions condemning the regulations as impracticable, unnecessary and unjust, and advocating an alternative scheme under which the Government would (a) fix the amount of sterling each importer could use for twelve months, on a basis of the last, say, three years' average, less the percentage necessary to conserve sterling funds; (b) protect local manufactures by listing such goods as were to be prohibited from entry or allowed only under permit; (c) vary the direction of trade by listing goods subject to restriction from certain countries; and (d) set up an import tribunal of business men and government officials to hear and decide appeals. A committee of the conference subsequently published a series of statements in reply to the Minister. As to the Minister's three reasons for the fall in London funds, it was said that the repatriation of funds left in the country should have been anticipated by a Government which had taken office upon an undertaking to reduce the exchange premium and had not done so; that the flight of capital from New Zealand had been due to fear or discouragement caused by the Government's policy; and that over-importation had been due to the gross over-spending by the Government and its huge imports for public works. Generally, the causes were not unavoidable and unalterable—they were the logical sequence of events which the Government itself had set in motion, and of which it should have long ago anticipated the results. The scheme adopted was not the only suitable one: wholesale coercion was unnecessary, and a voluntary restriction as adopted by Australia in 1930 would have sufficed. The scheme of

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import selection to protect local industries, which the Government, as an afterthought, had grafted on the control of exchange, was ill-conceived, unscientific and uneconomic. It was the result of no proper survey or plan relating to the capacity of New Zealand industry to fill the gap. Finally, the Minister was taken severely to task for refusing to make public the basis of the allocations or to say how long the restrictions would continue.

It is as yet too early to judge the effects of the import control regulations and the degree of their success in attaining the objectives set out by the Minister of Finance, but certain trends may already be noticed. Financially, the trend is unfavourable. The following table gives a picture of the situation.

(In £N.Z. million.)

Year.	Net Overseas Assets of Banking System.	Reserve Bank "other" advances to Government.	Reserve Bank Ratio %.*	Notes in Circulation Average for year ending March.	Imports.	Exports.
	Last Monday in March.				Total for year ending March.	
1935	41.8	—	97.2	6.3	32.6	44.9
1936	44.1	—	98.5	6.6	37.4	49.7
1937	34.4	0.8	72.8	7.9	47.6	60.2
1938	26.6	—	74.1	9.1	58.1	65.0
1939	9.3	12.0	25.4	10.2	54.4	57.9

Month.	Last Monday in Month.			Average.	Total for Month.	
1938						
Jan.	23.0	1.1	67.3	9.7	5.6	7.5
Apr.	28.6	—	81.7	10.6	4.5	4.5
July	23.3	1.9	70.6	9.6	4.6	3.8
Oct.	11.9	6.8	46.1	10.8	4.3	2.2
1939						
Jan.	7.3	11.1	25.8	11.0	4.7	6.2
Feb.	9.1	12.8	25.8	11.0	4.8	6.2
Mar.	9.3	12.0	25.4	11.2	4.4	7.7

* By statute the Reserve Bank is required to maintain in gold and sterling exchange a reserve of not less than 25 per cent. of its notes in circulation and other demand liabilities.

EXCHANGE CONTROL

The "other" advances to the Government are advances other than those to the Primary Products Marketing Department, which are covered by unsold produce. A fairly large amount of these "other" advances must also be covered by the assets created by the progress of the housing scheme, but no official figures on the point are available.

It must be remembered that under past Governments over-importation was usually met by the raising of a loan in London, especially where the imports concerned were largely capital goods for public works and allied purposes. The present Government has from the beginning set its face against any such loans. It is not suggested, of course, that the steady depletion of sterling funds since Labour came into office has been due entirely to the import of capital goods, but for the calendar year 1937 only about one-third of all goods imported were finished consumers' goods, while for the calendar year 1938 this proportion was still less. These facts, while indicating where the money has gone, also show how difficult is the task facing the Minister of Finance in his endeavour to use the import control regulations to build up funds in London and at the same time develop local industry (or even keep local industry going at its past level). A rough estimate indicates that, even if imports of finished consumers' goods (including many essential commodities which cannot be produced in New Zealand) were cut by half, the problem would not be solved. Within his own party the Minister has been severely criticised for not applying control much sooner, when it could have been flexible and have caused much less hardship than the present emergency remedy. Indeed, it is difficult to understand why the declared policy of the Labour party was not seen to demand such a selective control in its first term of office.

The obstinate refusal of the sterling funds to rise in the manner hitherto considered normal in the months when exports are creating credits in London is due also to other

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factors. The demand for London funds to pay for imports ordered before the control was imposed has been heavy. It is not known to what extent imports for government departments have been restricted; certainly, imports for defence purposes have been large, and are bound to increase. Some types of exchange transaction that are not affected by either the import or the export regulations, and that normally went through the banks, have probably been diverted to other channels, where it is believed that an "unofficial" exchange rate has developed. Local industry requires new capital equipment, which must be imported. Finally, there is the decline in primary production. Indeed, it seems that sterling funds will not rise very much this year.

II. PROBLEMS OF PRODUCTION AND LABOUR.

The decline in the volume of primary production has been mainly confined to the dairying industry. For the export year ending July 1938 the quantity of butter-fat exported was 7 per cent. less than in the previous year, while for the seven months ending February 1939 the decline was 9 per cent. in comparison with the corresponding period in 1937-38. For the same comparative periods the killings of pigs fell by 20 per cent. The number of dairy cows has been falling steadily since 1936. The indications are that there is a definite tendency to change over to sheep. On April 30, 1938, there were over 32 million sheep in the Dominion, more than ever before, and it is estimated that even this figure will be exceeded at the end of the current season. The killings of lamb increased by 10 per cent. between the two seven-months periods mentioned, although this season's total is not expected to exceed last season's. On the other hand, the United Kingdom market for meat is now restricted, and the plight of the sheep-farmer proper—that is to say, the breeder and wool-grower—is said to be desperate.

PROBLEMS OF PRODUCTION

In January the president of the New Zealand Farmers' Union addressed a letter to the Prime Minister in which he said that the high costs of sheep-farming could not be met out of the comparatively low revenue, that the sheep-farmer could not pay competitive rates for labour, that rates and land tax were a heavy burden, and that on all types of land, including the very best, finance was not available for maintaining the fertility of the land. His executive was of the opinion, he said, that millions of acres of grazing land would soon be forced out of production, and he asked that the Government urgently appoint a Royal Commission to enquire into the problem.

The Government, however, has attacked the task of developing local industry with vigour and enthusiasm. A "Buy New Zealand Goods" campaign was opened in December and has been actively continued. Early in March the Prime Minister began a tour of inspection of local factories which was given good publicity in the press. It is clear that many new minor industries will be established, and most existing ones will expand. Of major industries it is as yet too early to judge, except that the Bureau of Industry is considering applications for a licence for the manufacture of motor tyres, and most of the important oversea tyre firms are among the applicants. Another new project is the re-survey of the Taranaki iron sands in the hope that modern research may have discovered some new method of smelting this potentially valuable but hitherto intractable deposit. The Onekaka steel project* is still hanging fire, and London experts are now in the Dominion making further investigations.

It may be said that in all this interest in local industry the Government is making a virtue out of necessity. This, however, is not the whole truth. The development of local industry in order to provide New Zealand with a more balanced economy has long been part of the Labour

* See THE ROUND TABLE, No. 111, June 1938, p. 645.

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party's policy, and Mr. Sullivan was by no means inactive in his first term of office. Indeed, in 1938 the number of workers engaged in secondary industry exceeded 100,000 for the first time. At the annual meeting of the Manufacturers' Association last November the President said that during the past three years the Minister's courtesy, push and vision had helped them through many difficulties. While, he added, there was a feeling among them that there had been a lack of progress, they had no complaint against him personally. They had no hesitation in offering him their full co-operation in the efforts he was making to assist industries in the Dominion. The point is that, whereas action to implement the policy was formerly desirable, it is now imperative.

Nevertheless, the import regulations found the Government without any detailed and coherent plan for local industry. In a speech to the Labour party caucus in February, Mr. Sullivan said that the task was one of herculean proportions, involving problems of raw materials, labour supply, finance, markets, prices, and standards of quality, but it had been manfully tackled with excellent results. He had set up a departmental committee to consult with representatives of industry and advise the customs department what goods could be made in New Zealand and what could not. This committee had been working almost day and night since the introduction of import restrictions, discussing with manufacturers the extent to which they could expand and supply New Zealand with the commodities required. It is clear that the country was entitled to expect something better than this hasty improvisation.

Of the problems mentioned by the Minister, that of labour is of immediate importance. The labour required will be very largely skilled males and semi-skilled females (the proportion of these for one city was given as five males to four females), and it is just this type of labour which it is most hard to obtain. In its search for skilled

PROBLEMS OF PRODUCTION

labour for its housing scheme, the Government has had to import several hundred men from Australia, while the demand for young women in shops, offices and factories has for some time exceeded the supply. To find more men it is natural to turn to the 20,000 or so who are employed on public works. The Prime Minister has said that it is the general policy to take men off public works and put them into industry, and it was announced late in February that the Government had asked the Manufacturers' Federation to make arrangements to take 8,000 men in six weeks. The manufacturers, however, complained that men who had been employed on public works were disinclined to enter factories, and when forced to do so had not always been satisfactory. The President of the Manufacturers' Federation said: "If an industry is prepared to work an additional shift mainly for the purpose of training new workers, but requires a subsidy while this male adult labour is being trained, then I think the Minister of Labour will give such a request his sympathetic consideration". It appears, therefore, that the Government cannot hope to transfer any large number of its employees to the pay-rolls of private industry without paying something for the privilege.

The labour problem has also its wider aspects. There are the major issues of co-operation between employers and employees, and of the willingness of the worker to give full value for his high wages. There have been many allegations of slacking, and one prominent business man went so far as to say that there was now less work done for more money than at any other time in the country's history. Cabinet Ministers have been frank in their condemnation of those described by the Minister of Public Works as "scroungers". The Prime Minister on his visits to factories has not lost the opportunity to urge upon the workers the necessity of an increased output. Soon after he took over the portfolio of Labour from Mr. H. T. Armstrong, Mr. P. C. Webb said that "we cannot

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take more out of the national income pool than we put into it. We must increase production and we must avoid industrial friction." He followed this up in the next month (January) by calling, in the principal cities, conferences representative of every branch of industry, both workers and employers. In his address to the Wellington conference he appealed for co-operation in the national interest, and suggested that a council might be appointed, at which every question affecting industry might be discussed with an unbiased mind, and representatives might approach all problems from the point of view of New Zealand. The conferences enthusiastically supported the Minister's plan, decided to set up both national and local councils, and displayed a general feeling of goodwill and determination to overlook sectional interests. The Minister is a believer in the conference procedure, and in an outspoken statement on February 22 he announced his intention of calling a national conference between shipowners and water-siders to end "the inefficiency which unfortunately prevails in many New Zealand ports". The Minister's action was not by any means premature; for shipowners have complained bitterly of the labour cost of handling cargo on the New Zealand wharves.

In addressing the conference in Wellington on March 9, the Minister said that, whatever the causes, if things were to continue as they were the water-front would be held up as the laughing-stock of New Zealand, if not also of other parts of the world. The conference was also addressed by the Minister of Finance, who pointed out that there was not a single hold-up on the water-front, whether by the shipowners or by the water-siders, which did not have a detrimental effect on the national economy; and by the Minister of Public Works, who said that if he worked on the principle now adopted on the water-front it would cost him twice as much as it did to make a mile of railway or road. The Minister for Housing (who was formerly Minister of Labour) suggested that, if the trouble could

PROBLEMS OF PRODUCTION

be traced to the wilful inefficiency of individual workers, then the union should be given power to discipline them, by expulsion if necessary. As a result of the conference's deliberations, a new national organisation is to be set up to report to the Minister upon new methods of employing labour and of utilising more efficiently the labour available, and to use every endeavour to prevent stoppages. Nevertheless within a fortnight a major stoppage occurred at Wellington, where the water-siders, irritated over what they thought was unreasonable delay in the issue of their new wages award, adopted "go-slow" tactics, and consequently were dismissed *en masse*. After a meeting at which they were alternately cajoled and threatened by the Ministers of Labour and of Marine, they agreed to return to work, but by then the whole port had been idle for several days. In addressing himself to the problem of water-front labour, the Minister has indeed tackled a thorny task, and his policy is in this respect still wanting in results.

Agricultural labour also is likely to give the Minister much trouble. Seasonal labour was with difficulty found last year by taking men off public works, but according to the farmers the problem of permanent labour has become acute. At this point there is felt most keenly the impact of the comparatively unsheltered market for primary produce upon the sheltered wage-market of the New Zealand worker. The farmers complain that they cannot afford to provide either wages or conditions comparable with those provided either upon public works or in industry. In February an abortive and somewhat bellicose conference took place between the Farmers' Union and the New Zealand Workers' Union on the subject of a new wage agreement. The conference met again in March under the chairmanship of the Minister of Labour, and appointed a committee to continue the discussions, but no solution is yet in sight. The workers demand increases upon the scale provided by the Agricultural Workers'

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Order of 1937, increases which the farmers say they are quite unable to give.

III. BRITISH COMMONWEALTH RELATIONS

IN spheres somewhat wider than the purely domestic there have been two interesting developments. The first is the arrival of Sir Harry Batterbee, the newly appointed High Commissioner for the United Kingdom in New Zealand. New Zealand is now in line with the other Dominions in carrying out the spirit of the resolutions of the Imperial Conference of 1926 by having in New Zealand a direct representative of the United Kingdom Government. The flippant citizen delighted in repeating the rumour that the appointment had a more sinister significance, but at the state luncheon to Sir Harry Batterbee the Prime Minister said that rumour was not always correct, and stressed the value of personal contact with a representative of the British Government, who could give expression to the mind behind the communications and interpret the one Government to the other.

The second development is the announcement that a conference is to be held in New Zealand between representatives of the United Kingdom, Australian and New Zealand Governments to discuss Pacific questions of mutual interest, with special reference to defence. The holding of this conference is of peculiar interest in the light of the discussions at the British Commonwealth Relations Conference in Sydney,* where it was suggested that each Dominion should take a wider regional responsibility for defence as a natural extension of its home-defence requirements, and that this involved a strategic study over the whole area in which the Dominion was situated with a view to possible active defence measures in that area. The forthcoming conference may achieve more than a plan for pooling Australian and New Zealand resources

* See THE ROUND TABLE, No. 113, December 1938, p. 58.

BRITISH COMMONWEALTH RELATIONS

in an emergency: it may pave the way for regional Imperial Conferences as a new technique of Commonwealth co-operation.

The fact that it has been called at the instigation of New Zealand is encouraging evidence of the Government's attention to the defence problem. The Government is not given to making pronouncements upon the subject, and in this respect has stood during the last six months in marked contrast to the other Governments of the British Commonwealth. Nevertheless a great deal of quiet work is being done. The territorial force has now reached a state of efficiency surpassed only in the best years of compulsory training, and the development of the air force is proceeding apace. Most of the Vickers "Wellington" bombers will arrive this year, and the aerodromes and equipment will be ready for them. Great progress has been made with the territorial air squadrons, and the Government will this year receive a further 109 reserve planes released by the United Kingdom Government for training purposes. An instance of the energy with which the ground equipment—hitherto the principal retarding factor—is being prepared is given by the new aerodrome and hangars at Blenheim for the Marlborough territorial air squadron; although work on this aerodrome has only just started, it is intended to be completed and fully equipped by September, at a cost of £100,000.

New Zealand,
April 1939.

OFFICIAL PUBLICATIONS ON BRITISH COMMONWEALTH AFFAIRS

In future THE ROUND TABLE will print every quarter a list of official papers, published under the authority of the different Governments and Parliaments of the British Commonwealth, on matters of common concern to the member nations of the Commonwealth, or on the internal affairs of the Dominions, India and the colonies in so far as these are of outstanding interest to their fellow members. The list below covers a three-months period ending, for the United Kingdom and Ireland, at April 30, and for other Dominions at earlier dates. United Kingdom publications may be obtained from H.M. Stationery Office, Dominion publications from the respective government printers or through the High Commissioners' offices in London; any publication may be obtained through THE ROUND TABLE, 2 Paper Buildings, Temple, London, E.C.4. Unless otherwise stated, postage must be added to the prices quoted.

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A QUARTERLY REVIEW OF THE POLITICS
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No. 116. September 1939 Price 5/-
London: MACMILLAN & CO., LTD.

Printed in Great Britain and entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec. 397, P.L. and R.).

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FREEDOM STANDS FAST

I. THE FREE WAY OF LIFE

THE world is passing through a crisis of great danger. The foreground of daily detail is confused, but to the British people the background of ultimate issues is clear. If we are driven to fight in a new world war, we shall be fighting because we believe that a stand must be made for the principles of civilised life as we understand them. Those principles cannot survive in a reign of force and aggression in international life. We in the British Commonwealth shall be fighting for the defence, first, of our own countries, and of the Commonwealth itself, in which the principles of freedom flourish under the shelter of the British peace. But in order to secure our own territories and peoples we have realised that we must make common defensive cause with other nations whose interests in this are the same as ours, either because they are geographically near to us, or because, being weak, they are likely to be early victims of aggression if it goes unrestrained.

Our way of life is different from other peoples', and we believe it to be superior. But it is not for this reason—not in pursuit of any ideological crusade—that we may be driven to fight; it is simply because we believe that our way of life and the lands in which we exercise it will be threatened to the heart if aggression advances further. Our way of life, as Lord Halifax reminded us in his great speech of June 29,* may be threatened from within as well as without; and our first duty therefore is to examine and set forth "the old standards of conduct and of ordinary

* Passages from this speech are reprinted below, p. 813.

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human decency, which man has laboriously built up", in order to make sure "that our own standards of conduct do not deteriorate".

The essentials of the British way of life are threefold. The first is the rule of law: freedom from arbitrary arrest and punishment, from privileged castes and uniforms that are above the ordinary laws, from concentration camps and firing squads, and from all the other sneaking, cruel machinery of the secret police system. With this essential of freedom based on law may be associated the fair and equitable treatment of minorities, the recognition that men of all creeds, races and colours have their rights as fellow-men and fellow-citizens. The second essential is freedom of conscience and of utterance. Within the wide limits set by public morals, the law of defamation and the prevention of incitement to violence, we uphold in the British Commonwealth freedom of religion, freedom of organisation, freedom of speech, freedom of the press. Attacks upon these, however earnestly excused, are attacks upon one of the things that make the British Commonwealth worth while.

The third essential is economic freedom, within the scope of man's present mastery of nature. Here as elsewhere, freedom is founded on a balance of rights and duties, and it is not always certain, especially in international economic affairs and in the relations between classes, when the balance is fairly poised. There are indeed many differences of opinion over the best way to secure economic freedom, some praising individual liberty of choice in labour or business, others praising trade-union solidarity and social control. But we have established firmly, and now regard as necessary to our way of life in the Commonwealth, a minimum standard that includes the freedom of men to combine and agitate for their economic ends, especially in trade unions, the freedom of men from forced labour, and their freedom, if they are poor, from the worst consequences of social insecurity. This is a field where,

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as wealth grows and social organisation develops, freedom can expand once its roots have taken hold.

In the maintenance of this threefold standard of the free life, we in the British Commonwealth have found parliamentary institutions valuable beyond price. Parliament won for the people most of their freedom, and is their most vigilant watch-dog in guarding it. But the particular form of governmental machinery by which the way of life is upheld and defended is not of its essence. We must beware of identifying democracy with our own particular means of hearing and answering the voice of the people, and of then turning democracy into a shibboleth.

II. THE RISING TIDE OF AGGRESSION

THE free life, in every one of its essentials, is to-day challenged by the forces of aggression that menace the world. The countries that have glorified aggression abroad have at home abolished the rule of law, freedom of conscience and utterance, and the bases of economic freedom. What they do among their own people, however, is no cause of war. It would go too far to say that these things are none of our business; for that would be to deny the unity of western civilisation and the common humanity of all men. But it is neither our duty nor our desire to spend our own strength, and prejudice our own freedom, in order to change the mode of government of other countries. To compass the overthrow of totalitarianisms has never been part of British policy in peace time. If there comes a war, it will be part of British war aims only in so far as it is necessary in order to secure objectives of a different kind—the lasting peace and safety of ourselves and our allies.

We are driven to resist designs of national aggrandisement by force in Europe, not because other countries have chosen wrongly, as we think, their own way of life, but because by their aggression they challenge ours. Their threat is pointed against the British Commonwealth and

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what it stands for in two ways. First, our way of life, sturdy as it is, may sicken in a world dominated by force, even though it may not suffer military assault. The use of force calls up force to resist it; totalitarian organisation of aggressive power requires a totalitarian organisation of defensive power. To strengthen and expand freedom, which the nations of the Commonwealth hope to achieve in the future, severally and jointly, requires as its necessary background a world, not of ease and complacency, but of order and fair dealing between nations. This condition is incompatible with the doctrine of aggression and of breaches of international faith justified only by national ambitions.

Secondly, it has now become clear to the British people that the aims of National-Socialist Germany in the international sphere do not stop short at abolishing the penalties of the Treaty of Versailles, or at reuniting in one Reich people of German blood and of neighbouring territory, or at economic objectives that may be justified by rational arguments. They now seem to have no horizon but mastery of the world. Each successive advance, it appears, becomes but a platform for a fresh attack, which would doubtless be turned against Great Britain and the British Commonwealth as soon as opportunity, reckoned in terms of relative power, seemed ripe. In this light, any further accretion of German strength—for instance through control of Danzig, which is the key to subjection of all Poland—appears as a retreat from the ramparts of the British Commonwealth itself. Perhaps our slowness to realise these facts, or at least to act accordingly in building an impregnable defence against aggression in earlier years, accounts for our present troubles. Perhaps, on the other hand, it was necessary that Germany should take all and more than she could fairly claim, and that the western Powers should retreat to the point of humiliation and peril, before the moral cause of any world war against aggression should be perfectly clear. Haggling over the

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past does not solve our dangerous problems of the present. The fact is that the seizure of Bohemia and Moravia last March, though but the culmination of a long series of international mischiefs committed by National-Socialist Germany, changed a vast and decisive body of British opinion from believing that there might be some reasonable way of satisfying German demands to the view that nothing short of the political and economic subjection, first of Europe and then of the British Commonwealth, was likely to satiate the National-Socialist régime, until it had been met with a resolute and impenetrable defence, blocking the path of aggression. The problem of Germany's future, in central Europe and in the wider world, can be and must be solved; but not along that path.

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IN order to see how this change of opinion, which was instantly reflected in British foreign policy, came about so decisively at that time, it is necessary to review very rapidly the main sequence of Germany's international *coups*. These were brought about by a régime which now appears to us as the arch-enemy of order based on law, but which was always fed by the honourable motives of throwing off the excesses of the peace treaties and restoring self-esteem to the German people. The first *coup* was the re-militarisation of the Rhineland, in March 1936. Many British people felt then that, however violent might be the shock to confidence and to international law, it was certainly not worth a bitter and bloody struggle to prevent a country from occupying its own territory with military forces nearly twenty years after the last war. The second great *coup* was the seizure of Austria in March 1938. Here again, though the breach of faith was still grosser, and the shock to the rule of law between nations still more shattering, many British people argued that large numbers of Austrians, perhaps the majority, wanted the *Anschluss*,

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which had been barred by a treaty that left Austria dismembered and barely capable of independent life. Even over the Sudetenland, which Herr Hitler demanded and eventually took in September and October 1938, there was a feeling among a larger number of British people that Germany "had a case", and that a painful sacrifice to meet her case might be necessary in order to remove for ever a dangerous source of friction.

She had no case over Bohemia and Moravia. The march to Prague came as a violent shock to the British Government and people for three reasons. First, it was a cynical breach of pledges given personally by the Fuehrer to British statesmen: in a direct sense, it was "our affair", a deliberate affront to British policy. Secondly, it utterly shattered faith in the word of the National-Socialist Government, and thus made further negotiation with them appear futile except with the backing of superior force. "This is my last territorial ambition in Europe," said Herr Hitler of the seizure of Austria. "I do not want any Czechs", he said during the Munich crisis. His word had now become worthless in British eyes. Thirdly, the events of last March showed that there was now no limit to German appetite. It was not confined any longer to overthrowing the Versailles *Diktat*; nor was it confined to the racial ambitions which many people had regarded as a most dangerous but nevertheless a calculable feature of the National-Socialist cult. There seemed to be no restraint left, save the possibility of armed and unshakable resistance to aggression, upon its reaching out to grasp at world dominion.

The reaction on British policy was immediate. As Lord Halifax said in his speech in the House of Lords on March 20,*

If and when it becomes plain to States that there is no apparent guarantee against successive attacks directed in turn on all who might seem to stand in the way of ambitious schemes of domination, then . . . in all quarters there is likely immediately to be

* See THE ROUND TABLE, No. 115, June 1939, p. 604.

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found a very much greater readiness to consider whether the acceptance of wider mutual obligations, in the cause of mutual support, is not dictated, if for no other reason than the necessity of self-defence. His Majesty's Government have not failed to draw the moral from these events.

It seemed at that time that preparations were afoot for sudden coercion against the Polish State, which Poland herself, in advance of any British guarantees, took vigorous steps to resist. The guarantee to Poland, followed by the Anglo-Polish mutual assistance pact, thus became the first excursion of British policy into specific commitments to countries in eastern Europe. It was followed by guarantees to Greece and Rumania, again under the stimulus of barely concealed German or Italian threats to the independence and integrity of these countries, by the alliance with Turkey, and by the negotiations for a pact with Soviet Russia. The result of these decisions, each flowing from the last, was a sharp reorientation of British foreign policy and a consequent revolutionary change in British military policy.

While the commitments to eastern European countries raised new political and strategic problems, however, in an important sense they were but projections, further afield, of the traditional policy of pledges to Belgium and France, unilateral in the one case and mutual in the other. These pledges are founded, not on the similarity of governmental institutions between Great Britain and her nearest continental neighbours, nor on any special communion of spirit among their several peoples, but on the belief that any threat to the independence or territorial integrity of France or Belgium is in effect a threat to Great Britain and to the British Commonwealth. Similarly, the British Government has now reached the conclusion—some people would say, belatedly—that any threat to the independence or territorial integrity of Poland, Greece or Rumania would likewise be a threat to the British Commonwealth, and has conducted its policy accordingly. France has adopted a similar view, and so has Turkey as regards her own region.

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Hence it is no matter for astonishment that Great Britain could consequently have entered into pledges to Powers whose system of government is very different from our own. Our pledge to Belgium would be no less necessary if Belgium were under a dictatorship. Indeed, of the countries to whom we have long been under a military obligation, two—Portugal and Iraq—are dictatorially governed. It is in recognition of these facts that people whose predilections—religious, economic or ideological—are strongly hostile to Soviet Russia have accepted an Anglo-Soviet pact as a desirable culmination of our new eastern European policy. The basis for such a pact exists in a community of interest in resisting aggression; it can rest securely on nothing else, nor is anything further required.

Our pledges, once given, will be redeemed in the letter and the spirit. They are therefore of life-and-death importance for the countries to which they have been given, just as they are for ourselves. From our own point of view their purpose is to prevent domination of all Europe by force, which would be as fatal to ourselves as to our associates; and thus to defend our own security in the British Commonwealth, and with it our whole way of life. They are the direct outcome of a rising tide of aggression, which has at last convinced the British peoples of their own danger if it is not arrested.

If, in spite of the building of the Peace Front, Herr Hitler throws down the gauntlet before winter settles on Europe, our whole effort of sacrifice and fortitude as well as dashing bravery will have to be thrown into the task of winning the war. If, on account of it, he decides that the risk is not worth while, and if the crisis of the next few weeks passes off without war, then we must beware of the temptation to slacken our efforts to "win the peace". Peace cannot be won, in the end, by the weapons of war, but only by its own instruments of understanding and adjustment. When once aggression has been decisively rebuffed, and a "new atmosphere" established, then we

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can examine, as Lord Halifax promised, "the colonial problem, the problem of raw materials, trade barriers, the issue of *Lebensraum*, the limitation of armaments, and any other issue that affects the lives of all European citizens". This is the now famous "dual policy" that Great Britain has undertaken. Moreover, the process must be a self-examination as well as an examination of the claims of others. No one can suppose that all is perfect in British economic policy or British colonial policy, viewed from within. THE ROUND TABLE, for its part, will continue as in the past to address itself, not only to the problems of world affairs that confront all members of the British Commonwealth, but also to problems of imperial relations and colonial government that concern the internal structure of the Commonwealth itself. Only along such paths can our full duty to freedom be done; for that duty is not merely defensive but constructive as well.

Much that would be desirable in a peaceful world, however, is impossible while aggression still rears its head. We shall need a stern display of self-sacrifice and fortitude for many months yet before we can be sure that the threat of aggression and the rule of force is at last laid low. The plan of those who wish to subjugate the democratic western Powers is to destroy resistance, not by a frontal assault if they can help it, but by a succession of nerve-strains calculated to sow disunity among and within the peace-loving countries, to break their will-power, and to secure compromises like that of Munich which lead on to further cheap strategic gains. It is the duty of the British people, and of the people of France and our other allies, to show that they can withstand those nerve-strains with greater calm and endurance than can the regimented masses of the Axis Powers. To do so needs a spirit of self-sacrifice and of dogged courage which by their past history our people have shown they possess in full measure, and which their future will call upon them to show again, if freedom is not to perish from the earth.

ANGLO-JAPANESE RELATIONS

I. THE ALLIANCE AND AFTER

AT a time when public attention, turning to the Far East, is focused upon our dispute with Japan over the maintenance of British interests and the protection of British lives in China, it is natural to think chiefly in terms of the present emergency. But it may not be unprofitable to examine the general nature of our relations with Japan, to enquire whether, quite apart from current issues, they can be improved consistently with our obligations elsewhere, and—if they can so be improved—what steps can be taken to that end in the present difficult circumstances.

There is a temptation for those who have no time or opportunity for special studies to be content with a very general knowledge of causes and events in Far Eastern politics, and to regard them as something remote and uncontrollable. It follows that, when a startling event brings the Far Eastern situation into the forefront of its attention, British public opinion is apt to be taken by surprise, and to realise rather belatedly that far-reaching and important changes have taken place under its eyes but almost without its knowledge. The development of Japan's campaign in China is a general illustration of this theme, and the outbreak of the Tientsin affair is a special case in point. The Tientsin affair, though at first sight a predominantly local issue, is in fact a critical stage in a deterioration of Anglo-Japanese relations that has been in progress for a decade or more.

It can, indeed, be traced back to an even earlier date, since it is at least arguable that the Anglo-Japanese alliance in its second phase was incompatible with Japan's ambitions

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and Great Britain's obligations. This is past history, into which for our present purposes we need not closely enquire; but it is worth a passing reference, because many observers, including experienced British residents in China and Japan, allege that, if only the alliance had continued after 1922, Great Britain would have been able to exercise a restraining influence upon Japan, and could thus have prevented or moderated the aggressive continental policy that has culminated in the present tragic conflict. It is hard to share in this retrospective optimism when one recollects that, while Japan, under the terms of the alliance, was actively associated with Great Britain in prosecuting war against Germany, she presented to China the sinister Twenty-one Demands of 1915. That action unmistakably presaged the future course of Japanese policy in China.

It is true that, had British energies not been concentrated elsewhere, Japan might have hesitated to make such a move; but from that moment the ambitions of Japan were revealed, and though under the moderating influence of a continued alliance with Great Britain she might not have moved so fast or so far, it is certain that the alliance would have been subjected to greater and greater strain as Japanese policy came more and more into conflict with British interests. It is probable, to say the least of it, that the alliance could only have been maintained at the cost of increasing concessions by Great Britain—material and moral surrenders which might have delayed or even averted the present acute crisis in Anglo-Japanese relations; but, whether the alliance moderated or merely obscured Japan's continental aims, the fact cannot be denied that since the lapse of the alliance in 1922 Japanese ambitions and major British interests have been fundamentally irreconcilable. The fact that the alliance was dropped in the interests of our relations with the Dominions and the United States tends in itself to show that such benefits as we could then hope to draw from it were held to be of secondary importance.

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In any case, it seems fair to say that in 1922 Japan had more to hope for from its continuance than had Great Britain, and it is significant that its lapse caused very bitter feeling throughout Japan, but nothing beyond some largely sentimental regrets in limited circles in England. The bitterness has never entirely vanished from Japanese memories, and recent anti-British sentiment in Japan has undoubtedly been strengthened by a feeling, however mistaken, that in throwing over our ally we behaved ungratefully to an old friend.

Japan, ever since her humiliation at the hands of Russia and Germany after the China war in 1894, has always felt the need of European support, and even after the conclusion of the Washington Nine-Power treaty she did not abandon efforts to secure British collaboration in China. Time after time, from that date until the Manchurian incident of 1931, she made more or less earnest bids for British "co-operation". On our side we were not unwilling to attempt to find some basis of agreement, and we might have reached a solution of some of our joint difficulties if the Japanese had been able to give us a precise definition of what they meant by "co-operation". This was never forthcoming perhaps because the Japanese did not know exactly what they wanted from us, perhaps because in the moderate quarters in Japan from which these bids emanated it was felt that the extremists would want so much that the latter had better be left vague for fear of a blank refusal at the outset. What all parties in Japan wanted was a European Power to support their China policy because they did not feel confident of carrying it through alone.

That policy, however, had not yet taken definite shape because it depended upon the outcome of a conflict of forces within Japan itself. The main objective of the policy was clear enough. It was the establishment of a dominant influence, economic and political, in China; but there was no unanimity within Japan concerning the

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geographical range of such influence or the method by which it was to be obtained.

It may be said without undue simplification that, with occasional pauses, Japanese domestic politics have for the past ten or fifteen years centred upon a struggle between two factions in Japan, of which the extreme representatives were the conciliatory school of Baron Shidehara on the one hand and the forward school of the younger militarists on the other. In 1931, the conciliatory efforts of Baron Shidehara brought forth the maximum of opposition from the aggressive party, and the struggle culminated in the Manchurian incident of 1931, which put the militarists into a position of power which they have since gradually consolidated, until to-day they are supreme in Japan and will tolerate no open objection to their aims or their methods.

It is convenient to use the term "militarists", because the initiative in Japan's present policy was taken by the army, and that policy is in fact shaped and directed by them. But it would be a mistake to suppose that there is any serious division of opinion between the "militarists" and the rest of the nation. In all Government circles there is a majority body of opinion which is in general agreement with the principles for which the army stand—principles of a totalitarian cast in domestic policy, and of a definitely imperialistic nature in foreign policy. Obviously there must exist differences of opinion over method and timing in the execution of both. This has been recently demonstrated by the internal struggle over the question whether Japan's understanding with the anti-Comintern Powers should be enlarged into a military agreement. But by and large those who have to deal with Japan must face a substantial unity of opinion and sentiment in matters of foreign policy, especially where it concerns Japan's position in Eastern Asia. No doubt some elements in Japan do not wish to go so far or so fast as the army is taking them; but they all want to go in the same direction.

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II. GREAT BRITAIN AS THE ENEMY

THESE are fixed points which have to be borne in mind when considering the question of current and future Anglo-Japanese relations. Great Britain must not reckon upon any split of opinion within Japan, but must face the fact that she is at present dealing with a determined and united people, stimulated and excited by a war atmosphere and yet not depressed—so far at least—by fears or hardships serious enough to raise doubts in the popular mind about the wisdom of the national policy. There are, it is true, people in Japan who have private anxieties for their country's future, anxieties which they are reluctant to express in public; and the common people are puzzled by the obvious disparity between their country's sweeping military triumph and its meagre results in terms of political and economic gain. But on the whole the doubters are disposed to accept the Government's injunctions to them to be patient and to prepare for a long struggle; and it is not hard to make them believe that most of Japan's difficulties can be traced to Great Britain. It was, so the argument runs, the obstacle of British privileges that made the military campaign in China more difficult and therefore more expensive in Japanese lives. It is the obstacle of British interests that now stands in the way of a rapid economic exploitation of the victory.

For the present, therefore, it may be said that not only must Great Britain be prepared to face a united people; she must also realise that the antagonism between Japanese ambitions and British interests has, ironically enough, been a factor in preserving that very unity. Too much attention should not be paid to demonstrations of public opinion in Japan, which blows hot and blows cold and is not difficult to manipulate; but recent events in Japan show that those responsible for the present anti-British campaign are having no difficulty in mobilising a considerable popular sentiment which is more intense, more militant, and seems

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to have a more genuine basis than the manifestations of the latter part of 1937. Making all proper allowances for temporary excitement and for a natural desire on the part of the Japanese authorities to throw the blame for failures and delays in China upon a third country, one is bound to conclude that the present clash is not a mere incident but an expression of fundamental conflict between the interests of the two countries, which cannot be resolved without a change of policy on one side or the other, or on both.

III. WHAT CO-OPERATION MEANS

THE solution offered by the Japanese Government, now as indeed at any time since the lapse of the alliance, is 'co-operation by Great Britain with Japan'. It is not a mere verbal accident that the suggestion is never put in the form of "co-operation by Japan with Great Britain". Japan demands in effect that Great Britain shall adjust British policy to Japanese policy in the Far East. Such a demand is naturally distasteful to us, and deserving at first sight to be rejected out of hand: but presumably even the Japanese in their present frame of mind do not expect to get all they ask for, and we ought even now to be examining Japan's demands calmly, to see where they can be made to square with our obligations and our requirements. It is obvious that, even assuming all of Japan's demands to be justified, we cannot accede to them so long as they are accompanied by threats and so long as they involve third parties; but for the very reason that the situation is now difficult and dangerous we ought to get our minds clear regarding the terms that we should be prepared to accept in more propitious circumstances.

This is not the place for a detailed examination of our respective claims. These can only be worked out at a conference table furnished with a mass of facts and figures, since on the one hand the rulers of Japan are not yet agreed upon what they want in China, and on the other hand

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British interests in China are so diverse and complex that they cannot be described under one simple formula. But it should not be impossible to state in general terms what each of us wants.

Japan wants "a new order in Asia". This is a convenient way of saying that Japan wants to establish political and economic supremacy in Eastern Asia. It is obvious that complete supremacy can be obtained only at the expense of other Powers. Since, however, no other Power wants to establish such supremacy, it is possible that Japan might be satisfied, or at least obliged to content herself, with a situation in which other Powers admitted either directly or by implication, that they for their part did not wish to challenge that position in so far as China was prepared to accept it. It would not be an unreasonable line for the European Powers concerned and for the United States to say: "We want to see a satisfied Japan and a satisfied China. We are not prepared under duress to give up to Japan rights that we hold from China; but we recognise that some of those rights are inconsistent with the future development of Eastern Asia. To that extent we recognise the need for a 'new order', and we are ready to carry out our already announced policy of surrendering them if it will contribute to a peaceful settlement between China and Japan. But we will not surrender them except as part of such a settlement."

This, of course, is less than Japan wants, but is it less than she needs? We may concede at once that the march of events is inevitably producing a new order in Asia, and we ought to do nothing that is merely obstructive to check it or to shape it to our own particular ends. We owe in the long run as much respect to the growing economic needs of Japan as to the awakening national consciousness of China. There is nothing to fear from a new order in Asia that took the form of a peaceful political and economic development of China, with Japan playing the prominent part to which her geographical position and

her past record of efficiency clearly entitle her. There is everything to fear from a dominance of China by Japan in the form of an hegemony exercised by a totalitarian State and maintained by force.

A new order reached by peaceful methods might, it is true, involve the gradual elimination of most of our vested interests in China, but it should be possible to ease the process of transition in such a way as to minimise the loss pending the creation of new interests, which would no doubt take a different form but need not be less valuable. A new order resulting from terms imposed upon China by force would constitute a menace to all countries with interests in the Pacific (and perhaps in the Indian Ocean) unless we can assume that the aggressive impulse in modern Japan would work itself out, or that Japan would not stand the strain of holding down China. Neither of these assumptions is safe in the light of the present expansive energies of the Japanese people.

IV. A PEACE OBJECTIVE

It seems, therefore, that unless we are prepared to resort to a deliberate policy of resisting Japan by force—a policy which is not at present practicable and which, even if it were practicable, would be unlikely to improve conditions in the Far East—we had better devote our energies to the discovery of a basis of agreement with Japan consistent in the first place with our own principles and in the second place with our own vital interests. The present Tientsin discussions do not appear to offer an opportunity of finding such a basis, since the Japanese Government, according to their most recent statements, have insisted that Great Britain, as a condition precedent to the settlement of local issues, must not only cease activities in China that may be regarded as "unneutral", but also take positive steps to further Japanese plans for the economic development of China, to the detriment of the national Government

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that country. This is to ask Great Britain to reverse her declared policy, under scarcely concealed threats to British lives and property in China—threats to which only a Government entirely bankrupt of resources could surrender: it is obvious that, even supposing that the exceptional skill and pertinacity in negotiation of our Ambassador in Tokyo could find a formula that appeared somehow to reconcile these irreconcilables, no real step forward in the adjustment of Anglo-Japanese relations would be made. The quarrel would break out afresh, because it is a long-standing quarrel for which a radical cure has not yet been sought.

Some attempts were being made to seek such a cure, in London and in Tokyo, early in 1937; and though not much progress seems to have been made there was some prospect of at least preparing the way for friendly discussions on a larger scale. But the outbreak of hostilities brought those talks to a standstill, and the regrettable truth is that, so long as hostilities continue, there is no hope of profitably discussing, let alone producing an improvement in, Anglo-Japanese relations. Nothing will satisfy the Japanese extremists but concessions from us which will further their war aims. Nothing can be willingly conceded by us except by way of contributions to the final settlement between China and Japan. This is the *impasse* that we have reached.

Does it not therefore behove us to shape our policy in such a way as to promote an early peace? It is true that the prospects are not encouraging, for those in authority in Japan to-day are committed to a policy of force, and it is difficult to see any breach in Japan's front that might be widened. Nevertheless, the attempt should be made, however poor its prospects of success, because it is only by presenting to the Japanese alternatives to their present difficult road that we can hope to set in motion forces working for peace. The outlook is not entirely hopeless. Those who have lived among the Japanese know that

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they are at bottom a kindly people, with a good fund of common sense, who like any self-respecting nation react more quickly to sympathy than to pressure. Granted that they are at present in a queer mood, we ought to try to bring them round by comprehending rather than by scolding.

To say this is not to recommend a course of soft soap and surrender, but a perfectly firm attitude, showing clearly that we wish neither to coerce nor to be coerced, and that our sympathy for China does not mean that we are unwilling to meet generously the genuine grievances and aspirations of Japan. We have to admit, in the light of events since 1922, that the Nine-Power treaty has proved unworkable; and unless a majority of the signatories are prepared to coerce Japan into full observance they had better content themselves with working for a revision.

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IT will not be sufficient, of course, to make a promise in general terms. Both the British Government and the United States Government have already stated their willingness to discuss changes, but it is useless to expect the present rulers of Japan, as long as they think that they can gain a certain position by force, to accept a vague prospect of something less for the mere sake of conciliating hostile opinion in foreign countries, which have shown no determination to enforce their own claims. In fact, it is unlikely that those present rulers, in so far as they stand for the sentiments of the Japanese army, will listen to even the most reasonable proposals unless they are persuaded that the alternative to listening is something highly disadvantageous for Japan. But there is a chance that other and more moderate elements in Japan might be encouraged to resist the extreme elements in their own country if they felt confident that, by enlisting the sympathy of Great Britain and the United States, they could produce a settle-

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ment with China that would satisfy a substantial part of Japan's requirements, while falling short of the complete domination at which the extremists aim.

Hitherto the line taken by the moderate elements has been to avoid a head-on collision with the extremists; and thus we have seen a series of surrenders which has in fact increased the strength of the extremists and diminished that of the moderates. In pursuance of those fatal tactics, the moderates have constantly begged their British friends to do nothing to offend the extremists, but on the contrary to make friendly gestures to them. It must be confessed that the moderates in Japan have got themselves into a sad position, and it is doubtful whether they can reassert themselves unless either the China policy of the present rulers of Japan proves a conspicuous failure or unless they, the moderates, can provide a better one, which, while acceptable to Japanese pride, would command the sympathy and assistance of the democratic Powers.

In view of the strong nationalistic feeling now prevailing in Japan, and of the present political alignment with the Axis Powers, it is clear that mere assertions of goodwill by all the democratic Powers would have no effect; and it is even more certain that a professed change of attitude by Great Britain alone would not suffice to alter Japan's outlook. We must therefore conclude that the only aid that can usefully be furnished to the moderates in Japan is a specific declaration by Great Britain and the Dominions, together with the United States and France, that in certain circumstances they will collaborate, not only in a revision of the Nine-Power treaty, but also in an effort to find solutions for the other problems that lie at the root of Japan's present attempt to dominate China.

Chief among those problems are the questions of raw material supplies and markets and of the immigration of Japanese into foreign countries—in short, of freedom of trade and freedom of residence, providing for Japan those outlets for her goods and her people which she will

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otherwise seek by force in Eastern Asia. These problems bristle with difficulties, and it would be foolish to expect an easy or complete solution: but if no attempt is made there does not appear to be any other way of moderating Japanese policy except a resort to armed force or to economic pressure likely to lead to hostilities.

It may be argued that in view of the traditional objection of the United States to any commitments in the nature of an alliance there is no prospect of joint action towards Japan by Great Britain and the United States. Joint action is certainly out of the question, but parallel action is not impossible. It has, in fact, in some measure already been taken, and there is a substantial measure of agreement between the United States and Great Britain on their objectives. It is true that we are more concerned than is America with the protection of specific commercial interests in China, but we are both on the same ground in our desire to ensure observance of the principles laid down in the Nine-Power treaty. That the Japanese Government could be influenced by parallel action is proved by their constant endeavours to prevent it. Nothing in Japan's recent foreign policy has been more marked than her endeavours to conciliate the United States while humiliating Great Britain—to make capital out of the immediate vulnerability of specific British interests in China while treating American protests on matters of principle with some semblance of respect.

If the Far Eastern situation is allowed to drift for want of collaboration between the Powers affected, then there is little hope of saving China from Japanese domination. There are many who pin their faith on long-term resistance by the Chinese Government, coupled with a progressive deterioration in Japan's economic strength. Even were this outcome to be expected, it would be a wretched termination to hope for, since it would involve chaotic conditions over immense areas, with poverty and distress for millions of innocent, industrious people. But the

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chances are that, unless the Powers with interests in the Far East intervene on constructive lines, the Japanese national effort can and will be maintained. To quote from the well-informed and impartial *Japan Chronicle* of July 13 :

No view of the Far Eastern situation is correct which does not recognise Japanese ability to continue the war in China for a period which can only be described as "indefinite".

Whether an indefinitely prolonged campaign would materially benefit Japan even if it were at length brought to a seemingly successful conclusion is, of course, open to doubt; but it is quite certain that the longer it continued the greater would be the destruction and wastage of British interests in the Far East.

Everything therefore points to the need for arresting, by whatever means are available, the present process of disintegration. This cannot be done unless the Powers concerned can convince Japan that, if she will bring about an early discussion of peace, they will make generous contributions to it; but that if she insists upon continuing her present methods they will reluctantly have to consider the application to her of economic pressure which, as the Japanese well know, would be overwhelming.

The difficulties, indeed the dangers, of such a course are patent. But no one has yet suggested a simpler or more effective means of treating a case that now requires a major operation.

BRITAIN'S DEFENSIVE STRENGTH

I. THE RESULTS OF REARMAMENT

"**P**RODIGIOUS" is a much-abused and highly over-worked adjective, but it fits the expansion of Britain's fighting strength which has taken place during the past twelve months. In the crisis that culminated at Munich a year ago, the navy alone of the three fighting services was adequately equipped and trained. It is also common knowledge that the organisation of the civilian population against air attack was conspicuously weak. The consequences were what they were bound to be. The German Chancellor got still more in March when by a sudden *coup de force* he annexed Bohemia and Moravia to the Reich and turned the flank of Poland's industrial centre by converting Slovakia into an obedient protectorate.

The strength thus added, not only to German military resources, but also to Germany's strategic situation as a central Power with three dangerous land fronts was formidable. The new facilities which the *coup* gave for aggressive action towards the east were, moreover, quickly reinforced and consolidated by the completion of the Siegfried Line in the west; and there has also resulted from it an increased influence over Italian policy which is more like a stranglehold than the handclasp of a friend.

In these circumstances Europe's power of resistance to German domination has come to depend mainly upon British policy and British rearmament. France has shown a really heroic resolve within the limits which were open to her. She has made an end of weakening political strife, and has conceded to her Government emergency powers

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such as no British Government would ever be entrusted with in time of peace. Her industries have given themselves over to intensive production, based in vital cases upon a sixty-hour week, and she is rapidly re-equipping and expanding her air force, which constituted in September 1938 the only weak point in her defence. Her army was already by far the largest and most efficient in Europe west of Russia, and she is maintaining it for this period of renewed tension by keeping with the colours an extra annual class. Her navy, for its size, is excellent. More than she has actually done it was not in the power of her gallant people to do.

This magnificent return to unity in France was indispensable to the cause of peace. Nothing the British nation could do would have been of sufficient avail without it. But the very backwardness of Britain's own preparation for war gave her an opportunity for decisive action on a scale that was not possible for France, and she has made—to repeat the word—really prodigious use of it.

The naval situation in European waters differs in two important particulars from that which faced the Entente in 1914. Germany has now no battle fleet, and requires attention from the naval point of view only as a potential commerce raider who is well equipped for attack upon the sea-borne supplies of her enemies. Italy, on the other hand, is now a naval factor of great importance; her alliance with Germany and her influence in Spain have transformed the position in the Mediterranean and compelled us in Great Britain to regard those narrow waters as our major theatre for naval action, if war is forced on us. No man can accurately foretell the extent to which air action may affect our mastery of the sea. In the event of a general war, it is not likely to prove a serious menace to our fleet, but it would certainly make convoy duties more difficult and hamper the movement of transports and merchantmen, at any rate in the first phase of the war.

The total strength of the navies of the British Commonwealth at the end of 1938 was 15 capital ships, 63 cruisers,

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170 destroyers, 54 submarines and 8 aircraft-carriers. In addition there were then under construction 7 capital ships, 22 cruisers, 29 destroyers, 15 submarines and 5 aircraft-carriers, many of which will be ready for service at need before very long. A further reinforcement of 2 capital ships, 4 cruisers, 16 destroyers, 4 submarines and one aircraft-carrier was voted in the present year. The equipment of this great fleet is now up-to-date in every way. It is particularly well fitted with the most modern anti-aircraft guns, and it has a formidable reserve of warlike stores and oil. The weakness revealed by the Abyssinian crisis in 1935 has therefore happily long since been left behind.

The predominance of the British fleet in European waters is, in plain fact, much greater than it was in 1914, and new inventions have unquestionably increased the vulnerability of submarines. We have to remember, however, that while we can impose an effective naval blockade on Germany the influence of air-power upon sea-power is a new and incalculable factor which is bound to circumscribe our strategy until we have learnt by actual experience what its range and power of action may be. War will no doubt produce surprises—it always does. New conditions might spring some unexpected results. But none of these, however inconvenient in a particular area or for a particular time, is in the least likely to transfer effective mastery of the seas to other hands.

The relative strength of air forces is much harder to assess. With regard to numbers, the 1938 programme of 1,750 first-line aeroplanes is complete, and the strength is rising rapidly to the 1939 programme of 2,370. These figures are for the metropolitan air force alone. British air forces overseas, not counting those of the Dominions, number between one-quarter and one-third of the metropolitan strength; the fleet air arm rather more than one-third. Production is now well organised; we can count upon an output of not less than 1000 aircraft a month.

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The French air strength may be put at about a half of ours. Production, stimulated by a new spirit of co-operation between direction and labour, and by a working week of 60 hours where the necessity exists, is now giving 500 aeroplanes a month. France's air effort has been remarkable, and is equipping her with a thoroughly modern and efficient force.

The British and German air forces are pretty closely matched at the present time. The Germans still have the advantage in numbers, and their bombing force can carry a greater load of bombs than ours; but our fighter machines are superior to theirs, and there is good ground for the belief that our pilots and gunners are more highly skilled than theirs. This is partly because the training of our regular air force has been continuously developed for twenty years, whereas the German air force started from scratch as a military organisation in 1933, and partly because our greater command of petrol enables us to give all our flying personnel longer experience in the air. Germany's monthly maximum production of aeroplanes is now probably no greater than ours; and whereas we have to keep a quarter of our total force overseas, her total force must necessarily be divided between two European fronts. These various considerations suggest that the balance between the two air forces is near, the probability being that Germany still has some measure of superiority which we are likely to overtake by the end of the year. The Italian air force, on the other hand, is for the time being unquestionably stronger than the French, but not sufficiently so to give the two dictatorial Powers any marked superiority over the two democracies in the air.

As to staying power in a protracted struggle, a great deal depends upon the extent to which factories may suffer from air attack; but there is no reason why, if war comes, our should prove more vulnerable than those of our antagonists. We have a marked superiority in petrol supplies; but the degree in which air hostilities might hamper sea-borne trade

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is beyond calculation, and we have also to remember that Germany's command of petrol would be considerably enlarged if she were to succeed in obtaining Rumanian supplies in a general European war.

The army, too, has been completely transformed in the past year. The striking thing about it is not, for the moment, its strength, but the fact that for the first time in her history Great Britain has decided to have upwards of a million trained soldiers ready in time of peace. It was confidently predicted before the event that the introduction of compulsory military training by annual classes would bring voluntary recruiting to an end. The very contrary has proved to be the case, and our new army will consist of a combination of conscripts and volunteers, as it did in the latter stages of the last war.

Compulsory service was necessary for two purposes. In the first place, it was impossible to keep our anti-aircraft artillery in permanent readiness for instant action so long as its main personnel was drawn from the territorial force. Nearly half the annual contingent of militiamen will consequently be trained for this branch of home defence. In the meantime the territorial divisions have been called upon for special service in the critical intervening weeks. So far as home defence is concerned, therefore, the army is already fully equal to its task. We now have anti-aircraft guns, searchlights, predictors and other equipment in plenty—a very different picture from that which we presented in September 1938.

The other reason for compulsion was the necessity of having a greater reserve of trained soldiers ready to reinforce the regular army from the first moment. Territorial soldiering is spare-time soldiering. Practically the whole strength of the territorial army consists of men who are earning their own living in other employments, and cannot be called upon for more than a very limited amount of training. Such a force can never be counted upon for service in the field until from three to six months after the

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outbreak of war. The territorial army has been practically doubled in the past few months. Its spirit and quality are splendid; its equipment is being rapidly supplied; and it now constitutes a formidable national reserve, nearly 350,000 strong. But it is a half-trained reserve, not an active organisation ready in time of peace.

It is not possible, while our whole military system is in transition, to give any detailed account of its immediate strength; but the actual situation, together with the pace and potentiality of expansion, may be summarised in a few sentences which every layman can understand.

In the matter of actual strength, the army, in addition to meeting all the requirements of home defence, can immediately put a number of trained divisions into the field without weakening either home or colonial defence. With regard to potentialities, the expeditionary force would necessarily be limited at first, partly because the territorial army would not be ready at once, and partly because a considerable proportion of regulars must be kept at home to facilitate the organisation and training of our manhood for the full deployment of our national strength; but at need we should be able to develop that full strength with much greater rapidity than in the last war. We should, for example, have a million trained soldiers ready for service, apart from formidable forces overseas, within at the most six months of the outbreak of war; and that number could thereafter be doubled and even trebled, if the achievement of our strategic aim required it, without reducing our output of supplies or over-straining our industrial strength. We are therefore organised to pit our whole strength against that of others, if their aggression obliges us to do so, however totalitarian may be their organisation of force.

II. THE NEED FOR MAN-POWER

TO what uses would these immensely powerful forces be put in the event of a general war forced upon us by the action of the Axis Powers? Let us be clear in the

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first place about the main strategic objective. It would be, of course, defensive in the broadest sense. We have no desire to conquer new territory or to reduce any other nation to permanent subservience. We should be fighting, if fight we must, to maintain the political independence and territorial integrity of all parts of the British Commonwealth of Nations, and we would strive to do the same for the territory and independence of all our allies. We could not be sure that in the course of a great struggle some of those territories would not be temporarily over-run, as Belgium and Rumania were over-run during the last war; it might even be that some of the more distant territory of the Empire itself might be isolated and occupied. But in that case the freeing of conquered territory would have to become part of our strategic aim—not necessarily to be achieved by military action in those territories themselves, but inseparable from the purpose to which our main activities were directed, that is, peace on honourable terms.

The fact that our own main strategic object would be defence should not, however, blind us to two considerations which would, in modern conditions, be vital to success. The first of these is the plain fact that the struggle in which we should be engaged would be totalitarian war. The second is that defence alone can never win a war. There has been some writing on these two subjects which tends to obscure the magnitude and the character of the effort that we should have to make.

Warfare on the principles of limited liability is an attractive but delusive idea. To practise the greatest possible economy both of aims and means is fundamental common sense, and we should be careful to husband our resources in both ways to the utmost extent compatible with the great defensive object which compelled us to take up arms. But we would end by undergoing sacrifices much heavier than we need if we were not clear from the outset as to the limits of such economy—limits beyond which it is certain to defeat its own ends.

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First, then, as to aims. Our main object would be defensive, and we would have to guard against the tendency to continue the struggle *à outrance* beyond the point at which that defensive object had been secured. Lord Lansdowne's peace initiative in the winter of 1917-18 was treated with obloquy by all responsible for the conduct of the war, and it is possible that peace could not have been secured on honourable terms at that time because the liquidation of Russia had filled the German High Command with visions of a decisive victory on the western front. But Lord Lansdowne was wiser than his critics in declaring that, if peace with honour were obtainable at that moment, it should be made. The allied nations wanted to reduce their enemy to impotence and to dictate peace exclusively on their own terms. They got their way, and have been paying for it ever since. The price in blood and treasure during the last nine months was shattering, yet that was but the first instalment of the bill which Europe and the whole world incurred. Let us then be clear that in another war our central purpose must be defensive, and let us not be tempted by the passions that war sets loose to protract hostilities beyond the first moment when our central purpose can be honourably attained.

But while our central object would be defensive and should remain so to the end, let us not delude ourselves with the idea that because our aims are limited we can attain them economically by asking others to bear the main brunt of the struggle and sparing our own effort either by sea or land or air. The limitation of our aims must not mislead us into thinking that we can practise an equal limitation of effort in achieving them in the event of war. The lessons of military history have to be read with clear discrimination if they are not to mislead. In the days when States in combination waged war upon each other with small professional forces, it was possible for us to finance the efforts of others and thereby to limit our own contribution to the man-power engaged. But those days are gone.

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Napoleon's national armies raised warfare to another plane; and, although he himself was defeated in the main by a combination of professional armies of the traditional mercenary type, he established a new principle which has revolutionised the character of war. France herself, with the professional army of the Second Empire, went down before the system of national military training that Prussia had learnt from her sixty years before; and since that time armies have come to represent the whole manhood of the nations to which they belong. The last stage has been reached by the new dictatorships, which reshape every facet of the life of the nations which they control for the purpose of totalitarian war. To that the only answer is equally totalitarian war. We cannot expect other nations to fight for us; we cannot hope for success even in the limited sphere of strategic defence upon those terms. When every allowance has been made for modern inventions such as mechanical transport and the development of fire power, when every consideration has been given to the economy of force in the attainment of our ends, when every use has been made by wise leadership of the mobility that we should derive from predominant sea power, we shall find that victory depends upon trained man-power and that alliances will not secure it for us unless our resources of man-power are joined to those of our allies. The balance is a near one, and only we can turn the scale.

Arguments from the folly of massed frontal attacks upon prepared positions, arguments against the perpetration of new Paschendaes, arguments from the power of resistance conferred upon the defence by modern instruments of war, are indeed arguments for the fullest possible economy of force in the methods that we use; but they are not arguments that can justify us in preparing to do less than our utmost in reinforcing the man-power of our allies. It would not be sufficient, in the event of war, to prevent the enemy from imposing his terms upon us. He would certainly be holding territory that we were pledged to

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liberate, and we must be able to obtain our minimum terms from him. In military parlance, therefore, the strategical defensive must be combined with the tactical offensive if our object is to be secured; and the success of the tactical offensive is likely to be determined by its command of trained men.

III. THE EASTERN ALLIANCES

THIS conclusion would be inescapable even if our only ally in Europe were France; it is driven home with still greater force by the guarantees that we have given to other countries. Great Britain is now the pivot of a system of alliances which commit her, for the first time in her history, to definite obligations in eastern Europe, where neither sea power nor air power can render immediate aid; and this entirely novel responsibility requires analysis.

A pact with Russia apart, the Turkish agreement is the greatest of all possible reinforcements of our strategic situation—in three important ways. In the first place, it gives the British fleet invaluable bases in the eastern Mediterranean which largely reduce the value of the Italian bases from the Sicily-Tunis line to the Dodecanese. In the second, the Turkish forces could contribute most powerfully to the defence of Egypt and still more of the Suez canal. In the third, by giving us naval access to the Black Sea through the Dardanelles, and military access to the Balkan peninsula through eastern Thrace, together with the support of Turkish military strength, it constitutes a standing threat on the south-eastern flank of the Axis Powers. These are signal advantages, and it is no wonder that Turkey's ready adherence to the Peace Front was a shock to both Berlin and Rome. The gravity of this shock may be measured by the help which the Central Powers derived from their alliance with Turkey in the last war.

By comparison, the guarantee to Greece imposes upon British arms the defence of a land frontier that is seriously

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threatened by the Axis Powers. If Italy from her new position in Albania were to invade the southernmost corner of Yugoslavia and occupy the plateau which marches with the northern frontier of Greece, she would establish a serious menace to Greek security. But it was essential to enable Greece, if possible, to resist the pressure on her to join the Axis Powers. Moreover, her relations with Turkey are cordial, and her harbours in the Aegean would be valuable to us in keeping the eastern Mediterranean open for any movements that we might desire to undertake. With Greece as well as Turkey in the defensive front, our task in that quarter is greatly lightened, not only tactically but also in regard to our relations with the peoples of Cyprus and the Levant.

The alliance with Poland and the guarantee to Rumania stand in a different category. Apart from the fact that any further tolerance of unprovoked aggression against independent States would weaken the cause of freedom everywhere, these undertakings were indispensable to prevent, if possible, a very formidable reinforcement of Germany's strategic situation and also of her resources for a protracted war. But while they make it necessary for Germany to acquire these advantages by force, if she is to acquire them at all, and while the Polish alliance would compel Germany to fight on two fronts if she elected to attack first in the west, they increase the content of our main strategic defensive aim. We must hamper a German attack upon those countries by all means open to us; and, if we were to fail thereby to save them from occupation by Germany, we would have to continue fighting until Germany was forced to release her hold.

One other feature in the situation requires notice. If Belgium had remained an ally of France and Great Britain, we would have held positions in Belgian territory that would have greatly increased our facilities for air warfare, both in defending Great Britain against air attack and in bringing air power to bear on Germany. Belgium's

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decision to become neutral will not absolve us from the necessity of going to her rescue if her neutrality is infringed; but it does prevent us from taking steps in advance to reduce the danger of such infringement or to resist it if it occurs. Holland and Switzerland present a similar problem. Their policy of neutrality is very natural from their own point of view, since they must obviously desire to keep themselves out of any quarrel between their more powerful neighbours if they possibly can. But in their case, as in that of Belgium, their neutrality is in some ways a definite handicap to the two western democracies, upon whom, in the last analysis, the maintenance of their independence rests.

IV. THE ROAD TO VICTORY

WE have seen, then, on a broad canvas what the setting of war in Europe would be, if war were to break out in the next few months or weeks. The uses to which our forces might be put is much harder to predict, since the initiative of war would certainly lie with the Axis Powers. The only thing that may be assumed with reasonable certainty is that Germany would not take the offensive simultaneously on both her eastern and her western fronts. If she decided to throw her main strength from the outset against Great Britain and France, we should have to concentrate on defeating that challenge in the western theatre where it would be made. But it seems more likely that she would begin by an invasion of Poland and then of Rumania, taking the defensive on her western frontier until a decision in the east had been obtained. In this latter event we might have some difficult moral as well as military problems to decide.

Our first consideration, of course, would be to establish the security of our insular base and our world-wide sea-borne supplies. There is no reason to suppose that we should fail in either of these essential purposes, even if

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Germany were to undertake an air offensive in the west in addition to her main eastern enterprise—though it must never be assumed that there would be no set-backs or surprises even in this field, where all our strength can be fully and instantaneously deployed. There might, indeed there certainly would, be unexpected developments, though they would not be confined to one side. But, whatever these might be, Great Britain would hold the seas and would also rise superior to air attack, however intense, upon her ancient island citadel.

Far more difficult would it be to decide how best she could assist her eastern friends, whom she has guaranteed. Her first step, of course, would be to impose a naval blockade upon Germany. The effectiveness of this would depend to some extent upon the position taken up by Italy—a problem that will be discussed in another paragraph. But, however effective the blockade might be, its strangulation would be slow as well as sure, and it would not do much to hamper a massive onset upon Poland or even Rumania, which Germany might concentrate upon completing in the course of a few weeks. No one can predict how far the Polish army, with all its tactical *élan* and reckless bravery, might succeed in withstanding the tremendous equipment for aggressive warfare that Germany would bring to bear. Confidence in a quick decision upon the eastern front may indeed be one of the main factors that incline the German Fuehrer towards war. We could not, however, reinforce Poland to any effective extent upon her own soil, and we would therefore be obliged to do our utmost to distract and weaken the German offensive against her in other ways.

Should we then launch our tremendous air force against German munition centres, even if Germany were to declare that she would use hers only against fortified harbours and bases, armies in the field, aerodromes and ships of war? Our course would be clear enough if Germany launched an indiscriminate air attack upon Poland or upon any other of

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allies, let alone ourselves; but if she refrained from doing we should have to face a difficult question, with moral and political as well as military implications.

The problem set by Italy might also be a searching one. Italy went to war in alliance with Germany, well and good. With France and ourselves would know what course to take, and would take it immediately. But Germany might prefer that Italy should remain nominally neutral, for more reasons than one. With Italy nominally neutral, one or more of the practicable turning movements against Germany's southern flank would be debarred. With Italy nominally neutral, we should have much more difficulty in imposing an effective naval blockade. Movements of ships, troops and supplies in the eastern Mediterranean, moreover, would be bound to remain precarious so long as Italian sea and air power was neither shattered nor definitely committed to our side. These are grave considerations, which might seriously affect our ability to give help to our eastern allies; and, though there are other obvious considerations that tell in a contrary sense, it might very well be necessary, in justice to our undertakings, to demand facilities of Italy that she might be unwilling to concede. The Italian problem may therefore be as searching as the air problem from the moral and political as well as from the military point of view; and the moment may be near when some very plain and pointed questions concerning Italy's future course should be addressed to the Government in Rome, as the only way of relieving the tension caused by the long-drawn imminence of war.

If, despite all our efforts to save the peace, Germany were to attack westward, our course would be plain. If she attacked eastward, it would not be plain at all; but two points at least stand out clear—first, that we would have to do everything in our power to save our eastern allies from defeat; and, secondly, that if despite our efforts they were defeated in the first phase of war we should continue fighting with all the resources at our command until their freedom

TWO ESSENTIAL NEEDS

was restored. This decision might well involve us in far-ranging operations by land as well as by sea and air. Only by the skilful combination of all three services would our great strength and power of mobility be economically and effectively deployed. We must seek to avoid both the lack of imagination which made a shambles of Paschendaele and the lack of combination between the services which deprived us of success at Gallipoli while the gates of opportunity stood wide. No Power in the world will command such strategic openings as we shall when, not long hence, we can put thirty well-equipped divisions in the field. If war is forced on us, we must use them to the full, if we are to achieve our limited objective in the shortest possible time. To do so would be vital, not only for ourselves, but also for the world at large, since it is not victory alone that we must seek, but sufficient remaining power and will to make a generous and abiding peace when victory is won.

V. TWO ESSENTIAL NEEDS

FOR that purpose, however, the higher direction of military preparation and thought in this country unfortunately still lacks the effective concentration that obtains in France and Germany. In both those countries the control of all war effort is in the hands of a single, central command. In Great Britain each of the three services is still too much a law unto itself, and none of the committees on which we rely has the character or necessary attributes of what the French call their *Conseil Supérieur de la Guerre*. Tradition in the services is too powerful, and amongst civilian Ministers there is insufficient understanding of the fact that without a central and effective brain to direct our strategy we shall once again fritter resources which should be economised, blunder into action instead of planning it, and needlessly increase the duration and cost of war.

To combine the ideas of three separate staffs can never be equal to the strategic planning of a single staff, thinking

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independently of war as a whole without the limitations that necessarily beset a single service thinking first of itself and only afterwards of the other two. Gallipoli is but one of many lessons which we have still apparently to take to heart. We do not even know as yet how the Government itself would be organised in case of war. We only know that, like our strategical planning organisation, it could not work effectively in its present form.

Let us, then, hope that in case of need we shall have without delay both a War Cabinet and a combined general staff under a single head. If Britannia is to make the most of her fine new trident, she must have a stout single handle behind its three prongs.

GOVERNMENT BY COMMISSION IN NEWFOUNDLAND

By a Newfoundland Correspondent

I. TRADE AND FINANCE

FOR the past five years, Newfoundland has been governed by a Commission of six members appointed by the British Government, three from the United Kingdom and three from Newfoundland. This Commission, with the Governor as chairman, is vested with full legislative and executive authority, subject to the supervisory control of the Dominions Office and the Treasury in Whitehall. The "key" departments, that is to say, the departments of Natural Resources, Public Utilities and Finance, are administered by the three Commissioners from the United Kingdom.

The attempts of this Commission to restore prosperity to Newfoundland have been well-meaning but hitherto unsuccessful. Two of the country's major industries are badly depressed. Unemployment has attained alarming proportions and is increasing. Poverty and distress are widespread. The position, already grave, will become desperate unless prompt action is taken to restore the morale of a disillusioned and unhappy people and to revive the vital industries of the country.

Newfoundland, whose area is greater than that of Scotland, while her population is considerably less than that of Edinburgh, is essentially a producer of primary commodities, and her economic prosperity depends on the oversea markets for her newsprint, her fish, and her mineral products. Her total trade for 1937-38 amounted

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to \$210 per head, and, of that, foreign trade amounted to \$119 per head. In 1937 some symptoms of economic revival could be discerned as a result of improved international trade. The total value of Newfoundland's exports rose from \$51.9 million during the twelve months ending June 30, 1937, to \$62.8 million in the corresponding period a year later. This was the highest aggregate attained since 1930. The improvement was mainly due to the favourable market conditions for newsprint and minerals.

The international trading position of Newfoundland is reflected in her customs returns, from which about three-quarters of the Island's ordinary annual revenue is normally derived. The yield of customs in 1937-38 amounted to \$8,631,181. The duties imposed on the ordinary necessities of life, despite downward adjustments of the tariff in 1935, 1938 and 1939, remain much too high. They are unjust in their incidence, weighing most heavily on the poorer classes, whose standard of living would, in any case, be very low. Their drastic reduction is imperative, even at the cost of a loss in revenue. This loss could be made good by devising a more equitable system of taxation, which would include an increased income tax, heavier death duties and higher automobile licences, all of which are at present comparatively low.

The total revenue as well as the yield of customs showed a steady increase over the four-year period 1934-38. The revenue for 1937-38, at \$12,287,686, was the largest revenue in the history of the country, but there was still a considerable deficit, amounting to \$1,301,495. The deficits since 1934 have been met by grants-in-aid from the United Kingdom Treasury. Expenditure under the Consolidated Fund services accounts for approximately one-quarter of the total expenditure. The total debt as at June 30, 1939, was approximately \$100,000,000 and the annual cost of the debt service is in the neighbourhood of \$3,000,000.

ADMINISTRATION AND SOCIAL SERVICES

II. ADMINISTRATION AND SOCIAL SERVICES

EXPENDITURE on the supply services has steadily mounted. There has been an increase in civil service salaries, which had been cruelly cut in the closing years of responsible government. Higher salaries formed an integral and necessary part of the Commission's plan for the reform of the civil service. Departmental efficiency has undoubtedly been increased, and the morale of the civil service has been improved, but the standard is still low. It is to be hoped that the Commission will soon find its way clear to establishing a system of competitive examinations for entrance at least to the higher grades of the civil service.

Large sums have been allocated both from the ordinary revenue and from loans made by the Colonial Development Fund to the improvement of public utilities, and as a result roads have been improved and concrete bridges built to replace the old wooden structures.

The social services, too, have received enlarged grants, though they are still severely handicapped by inadequate funds. A successful attempt has been made in education to modernise the curriculum of the schools and to improve the qualifications of the teachers. There is still neither free nor compulsory education, but the vigorous policy of the department of Education has produced important results. The number of children attending school has steadily risen in the last few years, the average attendance has improved, and an increasing proportion of the pupils go on to the higher grades. These results are all the more gratifying because a decisive improvement in the standard of education is an indispensable condition of the political and economic rehabilitation of the country.

Admirable efforts have been made by the department of Public Health and Welfare to combat disease, which is making devastating inroads on the health of a people whose powers of resistance have been undermined by the

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malnutrition consequent on prolonged economic depression. The problem is a very grave one, as the ratio of doctors is only one to 4,000 of the population; despite the offer of financial assistance from the department, doctors have declined to practise on many stretches of the coast. The Government has erected ten cottage hospitals, fully staffed and equipped, at strategic points throughout the Island. A district nursing service, employing more than forty nurses in 1938, has been set up and is doing heroic work, and an anti-tuberculosis campaign is being vigilantly conducted; but the effectiveness of the whole public health service is woefully hampered by totally inadequate hospital facilities and by the lack of financial resources.

The outlay under the head of able-bodied relief has been very heavy since the inception of government by Commission. The rate of relief, which is paid in kind, continues, however, to be desperately low, affording bare subsistence to the recipients. The situation is all the more serious in view of the increasingly large proportion of the population in receipt of relief. At the beginning of the present year it was estimated that approximately 75,000 people received relief out of a total population of 295,000.

III. FORESTS, FISH AND FARMING

DURING the last fifteen months, Newfoundland has been in the throes of a terrible economic depression. This is reflected in the financial returns for the year ending June 30, 1939, the revenue shrinking by over a million dollars to \$11,221,242. One of the causes of this setback was the trade recession in the United States during the autumn of 1937, which produced a very adverse effect on the newsprint and logging industries in Newfoundland. Restricted cutting of the newsprint firms at Grand Falls and Corner Brook resulted in an increase in the general level of unemployment.

With the aim of counteracting this trend, the Government

continued its negotiations with the Bowater-Lloyd company of London for the acquisition by the company of the Gander timber limits, comprising 3,380 square miles of forest land. The company was to have the right to export pulp wood for its mills in England on condition that it set up a sulphite mill on the east coast of Newfoundland. This agreement was signed in January 1938 subject to the condition that either party had the right to renounce the contract at any time before May 31, 1938. In the interval the price of newsprint slumped, Messrs. Bowater-Lloyd acquired the International Pulp and Paper plant at Corner Brook and exercised their right under the conditional clause. Negotiations were resumed, however, and the company eventually purchased the Gander limits and were granted export rights for 99 years by the Government, subject to their extension of the Corner Brook plant to a capacity of 30,000 tons of sulphite per annum. Messrs. Bowater-Lloyd further promised to export a minimum of 50,000 cords of rough wood annually, subject to a royalty of 30c. a cord and subject also to a penalty for non-fulfilment which was originally fixed at 25c. per cord.

The proposed agreement, which was made public some considerable time before it was finally ratified, aroused almost universal opposition throughout the country. It was criticised on the ground that the possibility of a third newsprint mill, to which the people had looked for increased employment, had been indefinitely postponed, if not permanently destroyed. It was argued, further, that the potential value of the great timber resources on the Labrador coastal fringe—which would naturally help to feed a newsprint mill on the Gander—had been grievously impaired. The grant of export rights for such a long period as 99 years was held to be much too valuable a concession to have given in return for the extension of the company's mill at Corner Brook. Finally, the penalty for non-export was at first condemned as ridiculously low, and as therefore affording no adequate guarantee of continuous employment

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for Newfoundland loggers. When, as a result of popular agitation, the penalty was later raised to \$2 a cord, the critics pointed out that even if the company discontinued cutting for export they could still evade the penalty under another clause of the agreement, which stated that the penalty might not be enforced by the Government if the company could show proof that market conditions made cutting operations uneconomic in any given year. The Government, however, took the view that there was no immediate prospect of the establishment of a newsprint mill on the Gander and that the need for employment was urgent. The agreement was therefore signed at the close of 1938, despite continued popular opposition.

A fortnight before the opening of the Bowater-Lloyd controversy the Commission committed a political blunder of the first magnitude in the action that it took in the so-called Holmes fish case. The Newfoundland Fisheries Board (which will be referred to again later) refused to grant to a fully licensed exporter of fish an export licence under the Newfoundland Fisheries Board Act to ship the balance of a consignment of 6,000 barrels of salt codfish to Porto Rico, on the ground that the purchase price of the fish was less than the minimum of \$8.75 which the Board proposed to establish. The exporter appealed to the Supreme Court of Newfoundland, which delivered judgment in his favour and issued a writ of mandamus against the Fisheries Board. The latter was thus compelled to issue the export licence. But before the fish could be exported an emergency meeting of the Commission was called, and special legislation was passed in the form of a Permits Act putting an interpretation on the Fisheries Board Act which nullified, as the trade later claimed, the original intention of the Act. Under the Permits Act the export of the fish in question was prohibited.

By the enactment of this special legislation the Commission voided the effect of the judgment of the Supreme Court and set at naught the King's prerogative writ of

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mandamus issued by the Court pursuant to its judgment. The Commission claimed that its action was justified on the ground that the sale of the consignment in Porto Rico would have had a disastrous effect on the market for fish. But the unprecedented course followed by the Commission exposed the judiciary to contempt and undermined the sense of public security by depriving the subject of the protection of the courts for his civil liberties. That respect for the rule of law which is the basis of the whole social order is seriously weakened when the functions of the judiciary are usurped by the legislature, especially in a country where the legislature is non-elective and unrepresentative.

Newfoundland's economic recovery is inextricably interwoven with the revival of her fisheries. Although the export value of the fishery products is lower than that of the newsprint, and in 1938 was lower even than that of the mineral products, the fishing industry is of much greater importance to the country for several reasons. In the first place, the great majority of the people are directly or indirectly dependent for a livelihood on the fishing industry and its subsidiary trades. Secondly, the fishing industry, unlike the mines and the paper-mills, is financed almost entirely by Newfoundland capital. Moreover the real income from the fisheries must not be estimated solely on the basis of the export value of its products, because a large portion of the fish caught is used for domestic consumption.

The salt codfishery is by far the most important branch of the fishing industry. Statistics show that 7,000 fewer men obtained supplies to enable them to fish in 1938 than in 1937, and that the average net earnings of the fishermen amounted in 1937 to only \$61 per head, and in 1938 to only \$86 per head. Yet for most of these men the codfishery is the chief means of livelihood. This deplorably low return is ample proof that a majority of the fishing population are living on the verge of starvation.

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The resuscitation of the staple industry has therefore engaged the earnest attention of the Commission. The task, however, has been made very difficult by increasingly adverse market conditions in the Mediterranean countries and Brazil. The earlier efforts of the Government to assist the fishing industry were rather ill-advised and unsuccessful, with the signal exception of the invaluable bait service that it supplied.

A more radical attempt at reorganisation was made in 1936, when the Fisheries Board Act was passed. Through the Board set up under this Act, the Government undertook the control of the export of salt codfish. The Board is assisted by an Advisory Council elected by the Salt Codfish Association, which consists of all the licensed exporters. Unfortunately, the experience of the last three difficult years suggests that whole-hearted collaboration between the Board and the exporters, which is essential to the smooth working of the scheme, has not yet developed.

In 1937 the industry suffered from the effects of a small catch. Although the yield improved in 1938, the higher catch was offset by the complete collapse of the Spanish market, by the continuance of exchange restrictions in certain importing countries, and by the new duties imposed by Brazil—the largest single market for Newfoundland codfish.

In an effort to solve the complex marketing problem, the Government adopted several short-term measures—an increase of the salt rebate, an Italian quota for Newfoundland fish under the Anglo-Italian trade agreement, and a guarantee against losses to the exporters on certain grades of fish, provided they undertook to return stipulated prices to the fishermen, and formed co-operative marketing groups to eliminate unnecessary sales competition and price-cutting. These measures, however, have been criticised in Newfoundland as mere palliatives, and for five years the country has looked in vain to the Commission for a thoroughgoing programme of reconstruction in this

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industry. The conviction is growing that a measure of government control must be extended from the marketing to the production of salt codfish.

There is, moreover, an urgent need for the expansion and the diversification of Newfoundland's fisheries. The Government, according to recent indications, has grasped the salient fact that other branches of the industry must be developed. An agreement between the Government and the Santa Cruz Oil Company for the exploitation of Newfoundland's enormous herring resources is awaiting Dominions Office sanction. The Government is also seeking to attract foreign capital for the establishment of the fresh codfish industry, and an agreement has been initialled with the General Sea Foods Corporation of Boston, U.S.A., in an attempt to secure a portion of the vast potential United States market for the sale of fresh-frozen codfish from Newfoundland waters.

An analysis of the fishery returns clearly demonstrates that the income of the fishermen must be augmented from other sources, the most obvious of which is the land. The Commission has therefore been endeavouring, with fair success, to stimulate interest in farming, and to promote less primitive methods of cultivation. A model farm is being conducted, and a farmers' training-school is being operated in conjunction with it. Experiments in land settlement are being made in five districts, but one of them, the largest, is a failure, and the others are of dubious economic value. Professional farming can be carried on profitably only in a few favoured areas, and the future of agriculture appears to lie rather with part-time subsistence farming on the part of fishermen and loggers. The Government has accordingly distributed bonuses in kind in the hope of encouraging the improvement of soil, the clearing of new land, and the establishment of small holdings. Agricultural societies have been formed, and the Government has co-operated with them in an attempt to improve the breed of livestock. Moreover, confidence in the quality of domestic farm

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produce is being gradually engendered by the introduction of the National Mark and by the strict enforcement of the Vegetable Grading Act of 1935.

Last year the natural resources of Newfoundland were investigated by Mr. J. H. Gorvin of the United Kingdom Ministry of Agriculture and Fisheries. His report, which advocated certain definite measures of reconstruction on a regional basis in both fisheries and agriculture, was, on the whole, very well received throughout the Island. His subsequent appointment as Commissioner, combined with certain provisions of the new budget, indicates the adoption of at least the gist of his recommendations. Their practical application presents difficulties, but should provide a starting-point on the road to rehabilitation.

Capital on a large scale is, however, imperative. The Commission, both in its work of economic reorganisation and in its administration of the social services, has been almost fatally handicapped by the lack of adequate funds. Small grants-in-aid have proved useless. Every month lost has meant increased depreciation of boats and gear, and, what is far more important, the deterioration, physical, mental and moral, of a fine race of men. The cost of delay has been human degradation. It is too high a price. The Dominions Office appears, at last, to have sensed the true gravity of the situation. The budget for 1939-40 makes provision for special reconstruction expenditure of over three million dollars, bringing the total estimated expenditure to the unprecedented aggregate of \$17,116,908. As revenue is estimated at only \$11,381,700, a deficit of approximately six million dollars is envisaged, which will be met by a grant-in-aid from the United Kingdom Treasury. This must be regarded as a very generous measure of financial assistance from the Mother Country, particularly at this critical juncture, when her own financial resources are being strained to the utmost by the colossal effort of her defence programme. The fact, too, that this grant is being made to finance a new policy of all-round

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reconstruction is generating new hope in the hearts of Newfoundlanders.

IV. POLITICAL RECONSTRUCTION

THERE is a crying need, at the same time, for political reconstruction. While the ultimate objective must be a return to responsible government and Dominion status, the time is by no means ripe for the termination of government by Commission. The following proposals are tentatively submitted as modifications of the present system that might improve its efficiency, while facilitating the transition to eventual self-government.

Local self-government is unknown in the Island, except for the municipality of St. John's. The Government should therefore introduce a scheme of local self-government as speedily as possible. The services of co-operative field-workers, teachers, and other local officials should be used to impart a knowledge of the rights and obligations of local responsible government to the people of the outports. In view of the administrative inexperience of outport citizens and of geographical obstacles to the co-operation of scattered settlements in some parts of the Island, this plan of local government would have to be developed very gradually. But developed it must be if the civic consciousness of the people is ever to be aroused. These local elected councils would provide a training-ground in which local leaders could serve an invaluable political apprenticeship that would in time equip them to grapple with public questions of national importance.

In the second place, the Commission has been handicapped by its non-representative character and might with advantage be assisted by a central advisory council composed of, say, twelve members to be elected by the people as their representatives for a term of three years. This council would be consulted by the Commission of Government before the latter passed any important measure or

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arrived at any vital executive decision. The Commission, of course, would be entitled to reject such advice, if it thought fit, but it would be expected to give careful consideration to the views of the council, which would, moreover, have the right to bring proposals of its own to the attention of the Commission. Later, the council might be allotted some degree of control over the Commission, and this control might be increased by regular stages.

The election of such a representative body would serve several important purposes. It would free the Commission from the charge frequently brought against it at present that its policy is seldom communicated to the public until after a final decision has been reached. Additional weight has been lent to this charge in recent months by the character of the official communiqués of the Commission meetings, which have degenerated into bald catalogues of Acts passed and appointments made. It would provide an effective means whereby the Commission could be kept informed of the reactions of public opinion to its measures and proposals, a matter in which the Commissioners themselves have felt themselves seriously handicapped. It would help to ease the transition to responsible government in due course by keeping alive the democratic traditions of Newfoundland and by giving to the future leaders of the community an opportunity to study at first hand the full implications of current developments in legislation and administration. Otherwise the termination of government by Commission may well find the country destitute of political leadership.

In view of the ignorance of Newfoundland affairs displayed recently in the House of Commons at Westminster, it is further suggested that two members of this advisory council, chosen by itself, should be entitled to attend the sessions of the House without voting power. These members would, of course, normally reside in Newfoundland, except during the sessions of the United Kingdom Parliament, when they would visit England and participate

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in any debate touching the interests of Newfoundland. By this device some of the graver dangers implicit in remote control from Whitehall might be avoided or at least considerably diminished. This is admittedly a radical proposal, but it appears to be the only means whereby, under the system of Commission government, the Mother Country can free herself from the reproach of permitting "taxation without representation" to be imposed on a once self-governing Dominion.

Further necessary reforms involve no such radical departure from precedent. At present, under the Letters Patent of 1934, His Excellency the Governor acts as chairman of the Commission of Government. In view of the increasing unpopularity of the Commission's measures, this position may become both embarrassing to the Governor personally and derogatory to the dignity of the Crown. The Letters Patent should therefore be amended to enable His Excellency to withdraw from active participation in the policy of the Commission to the more exalted sphere in which the representatives of His Majesty the King moved in the days of responsible government.

It is felt by many that the appointment of civil servants to the Commissionerships of Natural Resources and Public Utilities has been unwise, and that their attachment to routine methods and their lack of technical industrial knowledge handicaps them in undertaking what is, after all, a pioneer work of reconstruction. It is to be hoped that, in future, a first-class business man with wide practical experience of the fishing industry will be appointed as Commissioner for Natural Resources and that an expert mining and metallurgical engineer will be selected as Commissioner for Public Utilities.

Furthermore, three years is much too short a time to afford the United Kingdom Commissioners a real opportunity of familiarising themselves with the conditions of Newfoundland. The appointment of Commissioners for a longer term—say, six years—would avoid this disadvantage,

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and would put them in a better position to understand and solve the problems of the country.

In 1934, the people of Newfoundland felt that the surrender of responsible government, even for a brief period, was a very heavy sacrifice that could be justified only by the country's complete and rapid economic recovery. Almost everybody looked forward with child-like faith to the establishment of a speedy millennium. They underestimated the magnitude of the economic problem and over-estimated the capacity of the Commissioners whom Great Britain would send out to them. In the spring of this year, when prosperity seemed as far off as ever, excessive optimism was followed by a pessimism that was also perhaps a little excessive. The contrast between the high hopes of 1934 and the bitter disillusionment of 1939 was almost heartbreaking. The Commission, it was felt, had pursued the wrong policy. It had also, and only partly because of its wrong policy, forfeited the confidence of the people.

The Commission of the future must not only pursue the right policy; it must also convince the people that it is right. To do so it will need to adopt a much more sympathetic attitude towards public opinion. At present popular criticism is more negative than positive, destructive rather than constructive. Public opinion hardly knows what it does want, but it does know what it does not want—and that is the Commission in its present form and committed to the policy of the last five years. Only inspiring leadership combined with constructive ideas can now free Newfoundland from the chains of misery and despair in which the misfortunes of a generation have bound her, and enable her to regain her status as a self-governing Dominion within the British Commonwealth of Nations.

St. John's,
July, 1939.

BRITISH NEWS BY WIRELESS

I. THE WHITE WAR

AS July passes into August, in this fateful year 1939, the so-called "white war", which has already been raging for many months, shows signs of entering a decisive phase. Some call it a battle of nerves; but that is only one aspect of the war by words and whispers. The weapons in this war are all the instruments of modern publicity, headed by radio and the newspaper: the tactics vary according to the terrain to be covered and the immediate objective to be gained: the strategy, as displayed by those who have made this new art of war their own, is aggrandisement of the nation and its policies, denigration of those regarded as its enemies, the sowing of confusion, fear, jealousy and doubt among their peoples, and the flattery or terrorisation of small Powers and special interests. It is not a war launched by the democracies, but one in which they have been forced to take up arms in self-defence. Just as Great Britain and her fellow members of the "Peace Front" have flung themselves into rearmament in a grim attempt to make good the march stolen on them by the totalitarian Powers from 1933 to 1936, so the British campaign in the war of propaganda is not aggressive but defensive, an effort to reply by the obstinate reiteration of truth to the bombardment of foreign falsehoods.

This effort is lightened by the fact that the cause for which Great Britain and the other democracies stand is a moral and universal cause. It appeals, without the aid of advertisement, not to their own people only, but to civilised and freedom-loving men everywhere. That does

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not absolve them, however, from the duty of making their cause known, nor save it from being abused and misrepresented by those whose ambitions it obstructs. In respect of international actions and motives, as experience amply shows, it will not do to rely on the assumption that good wine needs no bush. There are vast tracts of world opinion to which the British case is unknown in its true light, either because it has never been explained, or because between it and the public there has been interposed the distorting glass of foreign propaganda.

For three reasons the radio has been the first of the chosen weapons of propaganda across national frontiers. The first is that it can penetrate insidiously right into the homes of the people upon whom it is exercised. It can speak to them with a single voice, from morning to eve, whether they be in great cities or far-away hamlets and homesteads. And it can speak to them urgently, at once, when a crisis arises and decisions have to be taken by public opinion as well as Governments within a few hours. Of the available weapons it is the most easily employed, and gives the best value for money. The second reason is that radio propaganda cannot be stopped at customs barriers or ports of entry. It is to the newspaper or pamphlet what the aeroplane is to the infantryman. There are indeed means of direct defence—jamming,* or the compulsory limitation of the range of receiving sets. But just as some bombers will always get through, so will some wireless waves. Moreover, those means of defence will be used by democratic Powers in peace-time only under extreme provocation, and are not being used by them yet.

The third reason is that in the field of radio transmission all countries started, roughly speaking, from scratch. None of the great Powers was under the handicap, as several of them were in regard to international cables,

* *i.e.* the spoiling of reception by interference on the same wavelength.

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that for various geographical and historical reasons (including the fortunes of war) it had few lines of communication under its own control, or none at all, while its rivals could span the whole world with theirs. The ocean cables of the world are predominantly British and American: but the ether is as open to a landlocked country as it is to a great maritime Power. In some ways, indeed, the totalitarian countries of central Europe are specially favoured by geography for obtaining world coverage by short-wave radio; for many of the principal areas which it is important for propaganda purposes to reach can be served by them with narrower beams than, say, Great Britain or the United States must use. They can therefore give a stronger "signal" from equal transmitting power.*

II. BROADCASTING IN THE BRITISH COMMONWEALTH

THE British Isles are fairly well situated for the purpose of obtaining world coverage on radio beams. But if the Empire is considered as a whole its advantages in this respect are overwhelming. It has nevertheless failed disgracefully to make use of them. Countries like Germany or Japan must radiate to the whole world from their own home territory. They cannot establish radio stations at the other ends of the world under their own flag. Great Britain can. Her opportunities, however, have been

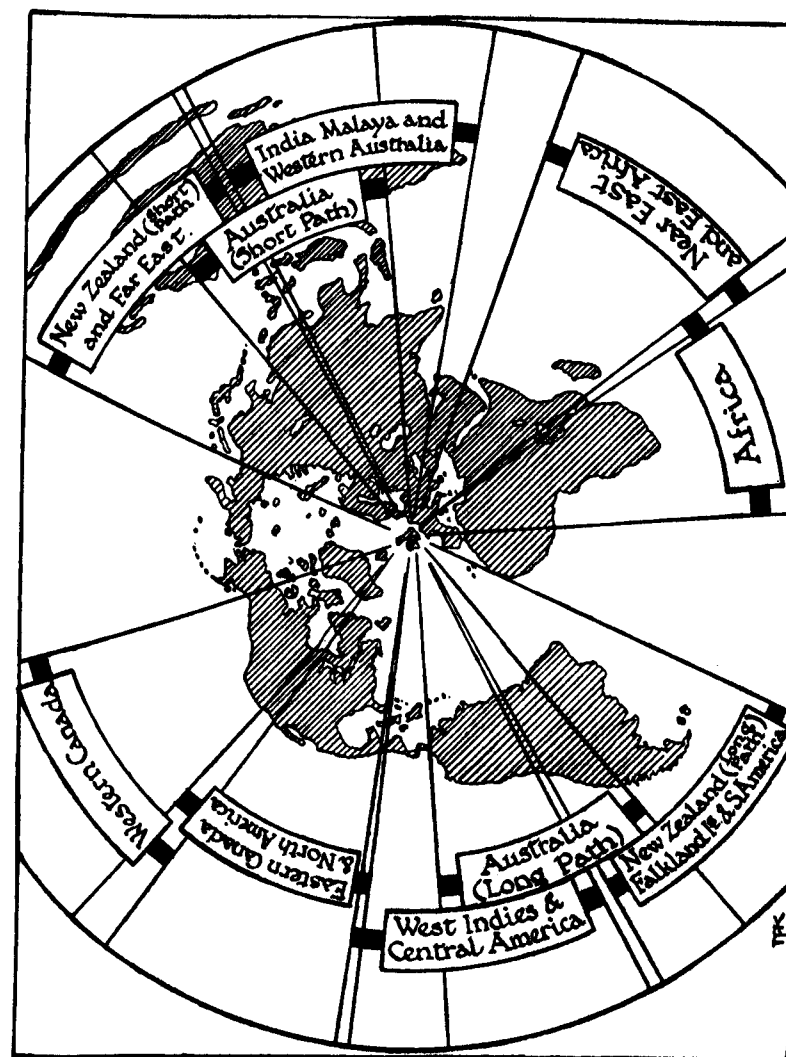
* See the specially drawn map on p. 723. The strength of a broadcasting "signal" varies inversely with the angle of the sector or beam in which it is concentrated. Distance of a given area from the transmitter is therefore not the only factor determining the signal strength under given transmitting power, even if atmospheric conditions are taken as constant. Width of the arc which the area occupies in relation to the transmitting point is equally important. The seaboard of east Asia from Japan to Java may be cited as an example: the Philippine islands are, to the eye, the most centrally situated point in relation to this zone; but Tokyo or Singapore would be a much better point from which to cover it with broadcast waves, since the whole of it lies within a narrow sector radiating from either of those cities, whereas from the Philippines a much wider angle of arc would be needed.

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gravely neglected. Even local medium-wave broadcasting is backward in the colonial empire, largely because there has been no consistent imperial policy concerning it. Development has been left to the enthusiasm or apathy of colonial Governments, which have frequently not had the financial means, even where they have had the desire, to build and maintain radio stations that could not possibly pay for themselves out of local licence-revenue for many years. These stations would be giving programmes to neighbouring territories, British and foreign, without return. Every one of the Dominions has a medium-wave broadcasting service for its own national purposes. But none of them has a short-wave service capable of giving reciprocity with the Empire service from the United Kingdom, let alone affording world coverage. Australia has inaugurated a short-wave service which can be heard in the South Pacific zone, but it is only of low power, and can hardly be regarded as more than a regional expansion of the local broadcasting service. There is a short-wave station in South Africa of which the same is true, though its power is larger. All-India Radio, controlled by the Government of India, has several short-wave stations, but they are designed entirely for Indian purposes, being more effective than medium-wave stations for so large a country with such difficult physical conditions. Indeed there is not anywhere in the whole British Commonwealth, outside Great Britain, a single high-power short-wave broadcasting transmitter.

The sole British system of long-distance public broadcasting is transmitted from Daventry in the Empire programmes of the British Broadcasting Corporation. The B.B.C. is a United Kingdom organisation, deriving its revenue from reception licence fees in the United Kingdom only. Thanks to the initiative and the imperial patriotism of a few people within its own organisation, it has been broadcasting an increasing length, variety and strength of programmes to the overseas Empire since 1927. But

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(Prepared by the Royal Institute of International Affairs from a map published by the WIRELESS WORLD, by courtesy).

This map-projection shows the angles which the various territories of the world subtend at a point in England, for purposes of directional radio transmission. The beams marked on the map correspond to the several transmissions in the B.B.C. Empire short-wave service. Each beam occupies an angle of 36° : in such a beam the signal strength at the outside edges is roughly half the strength along the central path.

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it was the appointed business of no government or public authority to see that an imperially financed and imperially controlled broadcasting system was able to cover the whole British listening world, let alone foreign countries. The far-flung Empire became, in the matter of broadcasting, a liability to the B.B.C. rather than an asset to British Commonwealth broadcasting as a whole.

Two things in particular would have been and are still needed to turn its distances and its geographical variety from a liability into an asset. The first is the erection of high-power, short-wave radio transmitters in the several oversea Dominions, with the possible exception of New Zealand, and also in India. The second is the erection, at two or three focal points in the dependent Empire, of high-power, short-wave stations to relay B.B.C. programmes, and to re-broadcast translations of those programmes in the languages of countries in their region. These measures should have been taken long ago; but it is not too late. The need to take them has been increased, not diminished, by the delay hitherto. As far as the Dominions and India are concerned, they themselves must decide, under the stimulus of their own public opinion. But public opinion, unless it is vigorously led, is unlikely to demand something which is of no immediate utilitarian merit, and the cost of which falls at home while the benefit is apparently reaped abroad. The ideal means of approach would probably be an imperial broadcasting conference, bringing together responsible delegates of both governments and broadcasting authorities. But this is scarcely feasible during the present international crisis, and further delay is dangerous. It is therefore up to the Dominion and Indian Governments themselves to give the required lead to public opinion.

As for the focal relay stations, they are urgently needed to reinforce the British voice in areas not easily or economically covered from the United Kingdom, such as the Far East, western North America, the Near East and North

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Africa. The exact choice of site is a technical, and in some measure a strategic, problem which it is not within the competence of this article to discuss; but at least one station in the western hemisphere and one in the eastern are plainly indicated. It is high time that these schemes, which it could hardly take less than two years to complete, were put in hand as a matter of defensive necessity. They should be financed, as far as possible, co-operatively by the several countries of the Empire most nearly concerned, but the brunt of the burden would inevitably and properly fall on the United Kingdom, just as it does in military forms of defence.

At the same time, it is highly desirable that the short-wave transmitting facilities of the United Kingdom itself should be increased. Germany, though having no empire with whose peoples she has to keep in touch, regularly uses at least eight high-power short-wave transmitters. The B.B.C. now use five and will shortly possess six, supplemented for the time being by three low-power transmitters. (Postal transmitters are not included for either country). If Italy and France respectively are added to the two sides, the sum works out even more in favour of the totalitarian States. This is one of the reasons for the complaints—which, it must be admitted, are not always well founded—that Zeesen is stronger than Daventry in certain areas of the Empire. It must be remembered that apart from its foreign broadcasts the B.B.C. sets itself to cover every part of the Empire at those times of day or night when the local inhabitants are most likely to want to listen in, whereas Germany can concentrate on those areas or peoples, such as the Near East or the Afrikaans-speaking section of South Africa, which she particularly desires to impress.

The multiplication of the B.B.C.'s foreign-language broadcasts during the past few months, despite the reluctance to embark on a "radio race" with other Powers, is a tribute to the high value that this form of national publicity

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recognised to possess. An extension of the broadcast to other languages, whenever this was held desirable in the public interest, would be greatly facilitated by the possession of extra high-power transmitters, which would also enable the existing broadcasts to be continued for longer periods. At present the B.B.C. broadcasts four overseas services. The first is the Empire service, which is transmitted on several wave-lengths and directional beams* for 19 hours out of the 24, every day. It includes a special weekly programme in Afrikaans. The second service is in Arabic, which occupies one hour a day. The Latin American service occupies three hours, including two special news-periods in Spanish and one in Brazilian Portuguese. The European short-wave programme daily fill the whole of twelve hours between 11 a.m. and 1 p.m. Greenwich time. They include entertainment material drawn from other programmes, with special periods in English, German (three-quarters-of-an-hour daily), French and Italian (half-an-hour each), and Spanish and Portuguese (quarter-of-an-hour each). The need for adding other languages, principally in Europe, is obvious: only in order not to lose further ground to the totalitarian Powers, who are already broadcasting in them regularly.

The heart of the programmes in foreign languages is the news bulletins and news commentaries. The aim is to report facts truthfully, to interpret facts fairly, and to make British policy (itself a factual element of news) more widely and accurately understood. News bulletins and commentaries form only a part of the Empire short-wave programmes, which are intended primarily for the Dominions, India and the dependencies overseas, but they are recognised as probably the most popular and certainly the most important part. The problem, therefore, of increased transmitting power for broadcasting from the United Kingdom, from the Dominions and India

* See map on p. 723.

PRESS NEWS BY RADIO

and from focal points in the colonies, is essentially a problem of spreading British news—news of Britain and the British version of the international news—more widely and more effectively among world public opinion.

III. PRESS NEWS BY RADIO

THERE is another aspect of the same problem which is also closely connected with radio transmission. That is the distribution of news to the world's press.* The development of cheap wireless communication has not been without its effect, both beneficial and adverse, upon the British news agencies, of which by far the most important, and the only one that need be mentioned for the purposes of this article, is Reuters, with its affiliates. Reuters is still supreme, as a source of press news of world affairs, throughout the British Empire. In the Far East, however, formerly a preserve of Reuters, it has an exceedingly stiff fight to wage against foreign news agencies, such as Domei (Japan), Deutsche Nachrichtenbüro (commonly known as D.N.B.), Stefani (Italy) and Havas (France). All these news agencies, if not state-controlled, are subsidised by the state directly or indirectly. The American agencies, Associated Press and United Press (known as A.P. and U.P.), have also advanced in the Far East at the expense, to some extent, of Reuters. They are able to operate more cheaply, not because they are subsidised, for they are not, but because they cover their costs in their main field of exploitation, the United States.

The principal zone of influence of these American agencies, outside the United States itself, is Latin America. Here Reuters has never had a foothold, as a result of a self-denying clause in its covenants with Havas in former days. At the present time such British news as reaches South America by direct channels is contained in the

* See the article on *British News Abroad* in THE ROUND TABLE, No. 107, June 1937, pp. 533-546.

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B.B.C.'s Spanish and Portuguese short-wave programmes. As far as the newspapers are concerned, South and Central America used to be the preserve of Havas, but latterly the French agency has had to withstand the competition, not only of A.P. and U.P., but also of D.N.B. and Stefani, which have done their utmost to spread German and Italian versions of the news—including news of the British Empire—in Latin America. In Europe, each of the larger countries maintains a home monopoly for its own national agencies; but, to the extent that a neutral or free market exists, Reuters is handicapped as it is elsewhere by the fact that its competitors among the continental agencies are without exception subsidised by their Governments.

It is not suggested for one moment that Reuters itself should receive a subsidy from the British Government. To do so would be to rob Reuters of an advantage that is worth far more in the long run than financial ease, namely, the belief of the world in the truth and detachment of its news. A grant of public money by way of subsidy would lead in the end to the imposition of public control, and to a grave encroachment on the freedom of the press. But there is one aspect of the problem to which special attention needs to be directed, and it is the aspect on which this article has already touched. One of the fundamental reasons for the difficulties encountered by Reuters in the news war is the relatively advantageous use made of the radio by its competitors for the dissemination of news.

The news broadcasts of the B.B.C., the material for which is furnished mainly by Reuters, are copyright, and may be neither re-broadcast by local stations nor taken down and used by the newspapers. This rule of copyright is maintained in order to preserve the legitimate commercial interests, not only of the agencies, but also of the newspapers in the receiving countries. A news agency such as Reuters, that is to say a news agency not dependent on subsidy from the state, has to meet the enormous cost of a world-wide news-collecting service entirely from the

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subscriptions that it receives from newspapers, with such small supplements as are paid by broadcasting authorities. If newspapers were free to take their news gratis from the air, competitive newspaper enterprise would be stifled, and the sources of unsubsidised news would dry up. By contrast, no copyright is imposed, as a rule, on oral broadcasts from foreign countries. That does not mean, however, that newspapers everywhere are free to publish such broadcasts, for their publication is forbidden in many countries. The reasons are not only political. They are also financial, and take into consideration the fact that a substantial loss of telegraphic revenue would be suffered if the newspapers were enabled to receive news by radio free of cost.

The withholding of the right to re-broadcast radio news from local stations—a very proper safeguard from the point of view of the news agencies and the newspapers—has given rise to controversy in the past and may do so again. During the crisis of September 1938, there was an intense demand throughout the Empire for the swiftest and most complete service of broadcast news, and hence for a relaxation of the ban on re-broadcasting B.B.C. bulletins. Reuters patriotically waived its copyright for the period of the crisis, and B.B.C. news was widely re-disseminated. Such strong hostility, however, was expressed by Australian newspapers and the principal Australian news agency to this infringement of their undoubted rights, that the copyright in the news sent out from Daventry was restored in Australia after a very brief interval. A situation of that kind, having a perfectly reasonable explanation but liable to misunderstanding by the public, might recur if in another world crisis the same general circumstances were repeated. There is no simple way of avoiding it. From the point of view of the agencies, the share of the news-collecting cost that is borne by the B.B.C., in the way of payment for their news services, is far too low to justify a procedure calculated to injure the

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interests of the newspapers, who meet virtually the whole of the cost. A much larger payment for news services by the B.B.C. might perhaps redress that particular balance, but unless it were accompanied by some very substantial gain for the newspapers themselves it would not fully solve a very complicated problem.

The problem cannot be solved without reference to the broader picture of the whole supply of news to the world press. Here again the invention of wireless has entangled what might otherwise have been a simple issue. In addition to word-of-mouth broadcasts, each of the official agencies of the Axis Powers transmits by radio regular bulletins of news in morse. These being subsidised, and no charge being made for transmission, apart from the reception fee charged by various Administrations, they are available for publication in newspapers either gratis or on payment of a very small subscription. To a certain extent a comparable service is British Official Wireless. It does not pretend, however, to be a general news agency service. It is a short daily bulletin of news issued from the Press Department of the Foreign Office. It consists generally of official news and official interpretation of the diplomatic news. Its character is determined by the need to preserve the legitimate rights of Reuters and the Dominion news agencies as commercial concerns, which would have a serious grievance if their Government entered into competition with them in offering a full and attractive news service to their customers.

Reuters itself puts out a series of "multiple-destination" wireless services which can be picked up with suitable equipment in most parts of the world. But in respect of the price at which these services can be offered to newspapers they find it hard to compete with the subsidised news transmission of the totalitarian States. Where a number of different destinations can be served with the same messages, the cost of transmission by radio is far less than the cost of transmission by cable. News agencies

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of the Axis Powers, bolstered by subsidies, take advantage of this comparative cheapness of radio-telegraphy for multiple addresses, while Reuters, although it avails itself so far as it can of the radio multiple-address system, has to pay the charges itself and is therefore at a disadvantage in price competition with subsidised rivals.

A reduction of the wireless rates for multiple-destination press messages, to a level enabling the British news agencies to compete on fair-and-square terms with their foreign rivals in this field, appears as the obvious answer to the difficulty. The objection can be made, however, that it would unduly undercut cable transmission. It is true that the multiple-address system of radio transmission, under the international regulations by which it was constituted, is subject to limitations that do not apply to cable transmissions. Nevertheless it is arguable that the multiple-address system tends to divert traffic from cables, and thus to affect the revenues of Cable and Wireless.

Since it is indeed a matter of national policy to secure wider dissemination of British news, any necessary compensation to Cable and Wireless in this connection might reasonably be made a national charge. Possibly, the reception of multiple-address radio news from Great Britain could be entrusted in certain countries to Cable and Wireless, and the difference between the latter's legitimate charges for reception and the rates desirable in the national interest could determine the amount of subvention required. But whatever arrangement be made the essence of the proposal is that, while Reuters and the Dominion news agencies should be left entirely independent of the government, they should be enabled to give a much wider and cheaper service of news. This might be achieved, it is suggested, through the reduction to a suitable level of the emission charges of the government radio-emitting stations, combined with a grant of financial assistance to Cable and Wireless in compensation for their making suitably low reception charges in countries

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where this is feasible. Cable and Wireless might also asked, in return, to make a further reduction in charges for other forms of press messages.

Under the scheme thus outlined, extended broadcast by the B.B.C. and extended provision of news through multiple-address wireless would be mutually complementary. Newspaper interests would not be disturbed. There would be no reason why the broadcasting authority should encroach on their domain. The task of the broadcaster would be to reach the ear. The task of the newspaper and newspaper would be to reach the eye. Experience has proved that these two forms of approach can be made complementary and co-operative rather than competitive and hostile. News to the ear increases appetite for news to the eye, which can be far more complete and reasoned than word-of-mouth bulletins.

The annual cost to the Treasury of the proposed scheme would probably be rather less than the upkeep of a sin cruiser; but the return in ultimate defensive value would be out of all proportion.

UNION: OCEANIC OR CONTINENTAL

I. NEW LOYALTIES FOR OLD

THE puff of propaganda and the cut of criticism, which during the past few months have played upon the project of international union, have combined to expose the basic problems to which that project gives rise. They are not problems of constitutional detail, nor of economic adjustment. The basic problems are rather social and spiritual, problems in the relations of men to their fellow men. Political institutions must be founded not only on the interests, but also on the sentiments of those concerned in them, and it is no use planning the architecture of federal union until we can feel sure that the foundations of common interest and common sentiment are strong enough to bear it.

This is what THE ROUND TABLE wrote, a few years ago, concerning the impact of economic change on the structure of federal States :

Political systems are a complex of rights and duties, resting ultimately on the question, to whom, or to what authority, does the citizen owe allegiance. . . . Is it the federation or the constituent state? If the answer is the federal government, as for the vast majority it must be, then an integration of powers, designed to meet the necessities of economic circumstances, accords with the underlying realities, by whatever process it may be secured. If the answer is the constituent state, then such an integration merely lays in store a fresh and still more dangerous conflict.*

If it is necessary to ask such questions about loyalties within established federal states, how much more necessary is it to ask them about the basis of allegiance for a federation of what are now sovereign nations?

* THE ROUND TABLE, No. 101, December 1935, p. 114.

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In modern political affairs there are two contrasting trends, the one towards integration, the other fissiparous. On the one hand, the nineteenth-century spread of the *ix Britannica*: on the other, the twentieth-century change from British Empire to British Commonwealth of independent nations, each entitled to its own sovereign decision on the least and the greatest matters. Within a single generation, the break-up of the Austro-Hungarian Empire on the one hand, and on the other the rise of German hegemony in eastern Europe, involving the disappearance of two sovereign States and the virtual subjection of two or three others. On the one hand, the reduction of Turkey from a vast empire of many lands to a single national kernel: on the other, the growth of a common sentiment of the whole Arab world from the Atlantic to the Persian Gulf.

These two contrasting trends correspond to two sets of social needs. The development of transport and communications, the economic integration of the world, have made it imperative to build politically upon an ever wider basis of common material interest. Education and travel have broadened the knowledge of ordinary men and with it their sense of citizenship. The advance of military technique, furthermore, has made more disastrous than ever the outcome of national divisions, and has made that disastrous outcome known to every home.

Yet the very movement towards integration, which these factors promote, brings a reaction in its train. The larger the total numbers of an organisation, the smaller becomes the relative size of a given minority within it, and less, therefore, is that minority's influence likely to be on the affairs of the whole. The widening of the organisation is indeed liable to create new minorities: in Great Britain, for instance, Englishmen are in a substantial majority, whereas in an Anglo-American federation (if that were possible) they would become a fractional minority, and this without relieving but indeed intensifying the

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minority status of Scotsmen, Welshmen and Irishmen, who already have that status in Great Britain. It is the same with economic, religious or social as with national groups: the extension of the whole diminishes the relative importance of the several parts. By such an extension, existing minorities may indeed be merged into majorities (as, for instance, the Catholic minority in Ulster would become part of the religious majority if Ireland were reunited), but in each such case, as a necessary corollary, an existing majority becomes a minority. On the whole, the process of enlarging political units is bound to create new minorities and to reduce those that already exist. There may come a stage in the process when the sentiment or interest (or a combination of both) of the citizens as members of minorities begins to outweigh their sentiment or interest as members of the larger group. At that stage, the fissiparous tendency enters into active conflict with the need for integration.

It is more often sentiment than material interest that makes citizens minority-conscious, for men cannot live by bread alone. One of the perils of wide political units is that they are liable to neglect or even suppress the sentimental and traditional impulses of their minorities. The Union of South Africa is a case in point. The Union was brought about through sheer material need: economic and political catastrophe was the certain result of leaving four such neighbouring countries, having so many common problems, without any common means of government. The Union has flourished for close on thirty years because it brought into being a sense of South African citizenship, which could offset the forces of particularism. The British majority in Natal became a British minority in the Union, but at the same time it became part of the South African nation. The wider sense of citizenship was able to transcend the minority motive because neither the special economic interests nor the peculiar sentimental symbols of the minority were grossly interfered with by the majority; and it will continue

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in the future under the same proviso. But latterly there have been signs of grave and growing offence on this score and if once the British minority, as a whole, is driven to think of itself as a minority first and South Africa afterwards the foundations of the Union will have been shaken.

II. THE BASIC CHARACTER OF UNION

ALL this points obvious lessons for the study of the project of international union. When such a project takes practical shape, it must fulfil three conditions. First while providing amply for the pooling of common interest its constitution and administration must give sufficient regard to the interests of minorities, which would be multiplied in number or reduced in relative weight by its coming into being. Secondly, while building up a symbolism and a pattern of sentimental loyalties of its own, it must not oppress nor even offend the symbolism and loyalties of its constituent communities—a consideration of vital importance in regard, for instance, to the place of monarchies and republics in the greater union. These two conditions point it may be noted, to a loose rather than a close federation, at least until experience had tightened its bonds. It would be, in effect, a union for certain purposes only—all-important purposes, but few in number compared with the whole range of public affairs.

Some people have argued that it is a question of all-or-nothing, that sovereignty must be either kept by the nation or resigned to the union, as if it were an indivisible quality like virginity. This is surely a mistake. Sovereignty may be shared in varying proportions, as it is, for instance, between the Australian Commonwealth and states.* Even

* "It has been ruled by the High Court . . . that the State Parliament may in matters within its sphere bind the Crown in the Commonwealth. . . . The Crown in the Commonwealth and in the States are so distinct that one can sue the other not merely on contract, but also even against its will in tort under the constitution." A. Berriedale Keith, *The Constitutional Law of the British Dominions*, pp. 304-5.

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customs union represents a partial pooling of sovereignty, if there is a common authority, responsible to the public, for settling the rates of customs. The contrast between the union system and the league or treaty system of international collaboration, which leaves sovereignty intact, does not lie in the completeness of the sovereignty that is resigned by the collaborators. Nor does it lie in the nature of the instrument whereby it is resigned—constitution or mere pact—since all constitutions are, to begin with, pacts among the parties to them. It lies in the nature of the body that exercises the transferred powers. It must not be a delegate assembly of the parties, but in effect a government and parliament of the people. An international organisation, provided it satisfies this test, is none the less a form of federal union for having only a limited field of powers.

Yet, however limited its jurisdiction, any form of federal union must fulfil the third condition that has been taught us by experience of existing political institutions. It must be so grounded in the common interest and common outlook of its constituent peoples that it commands sufficient loyalty of its own to transcend minority motives within its own field of powers. That field must embrace, as a minimum, foreign policy and defence and the financial means of providing for them. These are matters where national sentiment is tremendously strong, and the appeal of the federal union must therefore be still stronger in order to overcome it. This essential, pre-requisite condition of any form of federal union between nations impels us to examine with the utmost care the bases of sentiment and interest on which such a union could alone be based.

It must be clear, first, that the determining interest behind the advance towards union is political and not economic. True enough, economic nationalism, which union is designed to overcome, has intensified trade depression and hindered trade revival in the world at large. But the enlargement of the boundaries of government is no guarantee of economic

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stability. The possession of a huge and, in a high degree, self-sufficing territory did not save the United States from suffering far deeper depression than many smaller and less favoured countries. Indeed it is arguable that, in the present state of progress in the public control of economic aberrations, a great area, reckoning by wealth and numbers of population, is liable to a more violent sequence of booms and slumps than a smaller one. Certainly the gap between the two ends of the economic scale tends to be wider in the larger community; and economic minorities tend to be more mercilessly submerged. No: if the economic motive alone were at work, the project of union would be neither more nor less essential to the survival of civilisation than universal free trade.

The dominant impulse is political: it is the threatened breakdown of western civilisation through war. The fearful urgency and weight of this motive for union have undoubtedly made men think of it as practical who in less perilous times would have dismissed it as a visionary's dream. That is to the project's advantage.

But the character of the impulse behind it has also done the project a disservice by making people conceive it as a means of deterring aggression rather than a means of establishing world order. Consciously or unconsciously many of its advocates think of it as designed rather to preserve peace for its members, or even to assure them victory over the "lesser breeds", than to destroy the very foundations of international war. Even Mr. Clarence Streit, the American author whose book *Union Now* has done more than anything else to keep the idea of international federation before the public, is not free of this error, though he is innocent by comparison with some of his self-proclaimed disciples, who treat union as simply the best means yet suggested of baffling the Axis Powers. Mr. Streit talks of his project as bringing about "a permanent unbalance of power". But this is to-day the very objective of Germany, just as it was the objective of France after

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1918 and of the League of Nations itself. And Herr Hitler is just as right as was Monsieur Poincaré or Lord Cecil in believing that if there is an overwhelming "unbalance of power" there is no war—while the "unbalance" lasts. It never lasts long. Balance and unbalance of power alike are by-products of unmitigated national sovereignty. The aim of union is not to translate power-politics into a form comfortable to ourselves but to do away with physical force between nations to the same extent as it has been abolished within national affairs.

III. THE PROBLEM OF MEMBERSHIP

THE aspect of federal union on which judgment is most likely to be distorted by such misconceptions of the philosophy behind it is that of its membership. If the objective is consciously or subconsciously held to be the overcoming of the Powers of the Triangle, who now threaten world peace with their aggressive policies, it is natural to seek some formula of membership that will exclude them while including a sufficient number of other countries to present an irresistible front to the triangular combine. The formula is not, of course, difficult to find: it is democracy. This is indeed a highly important and relevant test of membership. The federation itself would be a democracy, and only those peoples could take part in it who accept the principle of the government of men by themselves, that is to say, rule by elective majority whose responsibility it is to care also for the rights of minorities. As THE ROUND TABLE remarked in this same connection, however, in a previous issue,*

the test of democracy . . . is not the universal franchise or any particular set of elective institutions, but the question whether there exists freedom of utterance, equality of all before the law, and some means of letting the popular will, freely expressed, control the national policy.

* No. 115, June 1939, p. 483.

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The application of a strict democratic formula to the of countries as they stand to-day leads to certain conclusions, which Mr. Streit himself has adopted, concern the initial membership of an international federation. What different approach can be made, consistent with principle that all participants in union must accept fundamental doctrine of democracy?

Mr. Streit demands "Union Now", but his real exhortation is "Work Now for Union". He does not mean that it would be wise or practicable for anyone to to-morrow a constitutional convention to set up a federation of nations. Therefore, in working for union, in examining how and in what form it might come into existence, we are entitled to hypothecate changes in existing order of things, capable of being brought about within the period of years or decades that even the most optimistic champions of union realise must elapse before it could take constitutional shape. It is no less plausible to pre-suppose a new mode of government in certain States which at present have laid democracy by than to pre-suppose, for instance, that isolationist American opinion can be brought to the point of accepting union with half-a-dozen countries of "war-crazy" Europe, or that the French peasantry can be persuaded to endorse a scheme that would threaten to flood their land with the cheap produce of the New World.

This line of approach has the immense advantage that it avoids an offensive air of exclusiveness which may produce an equal and opposite reaction during the period when union must be the object of popular agitation rather than of political action. It saves union from being branded by one group of critics as a new species of encirclement, and by another as a new device for getting America to pick up England's chestnuts out of the fire. Is it not better to leave, for instance, to the German people: "Here is a project of immense value and vision in which Germany, if it chose, might participate as an initial member: what

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you think of it?" than to say: "Here is a project in which we and our friends, being good democracies, can alone participate; indeed we are planning it largely in order to see that you do not get your way by force: but once it has come about, and is seen to be so strong that you would not dare defy it, then out of envy you could change your mode of government and we would consider whether we would not let you in?"

The above argument is intended, not to show positively that Germany or any other non-democratic country ought to be included in the list of potential members of union, but merely to clear the ground for a fair and unprejudiced study of the possible membership of union, in terms not of present disqualifications that make it seem impossible, for they are legion, but of permanent qualifications that may make it possible in the end.

IV. PROS AND CONS

THE two contrasted themes concerning potential membership are ideological on the one hand and geographical or cultural on the other. There is much to be said for each. The ideological approach led Mr. Streit to propose a union consisting of sixteen democracies: the United States, the self-governing nations of the British Commonwealth, France and eight smaller democracies of Europe. The geographical and cultural approach led Count Coudenhove-Kalergi—whose ideas have experienced a popular revival under this new stimulus—to propose a series of unions, each based on continental solidarity. It will be well to consider these two proposals on their merits as contrasting possible bases for international federal union. From the point of view of Great Britain, they present themselves as a choice between participation in an oceanic union and participation in a United States of Europe.

The major merits of the former concept are fourfold. In the first place, it would unite a group of peoples having

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long experience of parliamentary democracy, of the responsibilities of freedom, and of respect for minorities. In the second place, it would link constitutionally countries that are already closely linked economically and ideologically, through their situation on the world's oceans. Contiguity by land is not the only kind of bond that geography provides: the sea joins as well as separates, and in cheapness and ease of transport France, for example, is much closer to the United States than she is to Rumania. Their situation on the oceans—Switzerland excepted—has also given to the members of Mr. Streit's projected union a common outlook on world affairs, free of the myopia and claustrophobia that sometimes afflict continental peoples. In the third place, oceanic union would enable the greatest of all existing international institutions, the British Commonwealth of Nations, to remain intact, within a wider federation. It would relieve rather than accentuate the present conflict of motives in United Kingdom policy, the conflict between responsibilities to Europe and responsibilities to the Commonwealth. Finally, the oceanic union, being confined to no single continent, would be capable of solving within itself, as indeed the British Commonwealth is capable of solving within itself on a smaller scale, the vital and growing problems of relations between continents and races—provided, that is to say, Mr. Streit's project were modified to allow non-white countries like India, which fulfil the basic democratic condition, to enter the union on equal terms with other members.

On all these points the alternative project of European union (associated with a pan-American federation and other continental unions) is open to criticism. It has, first, to surmount the obstacle of different forms of government, some of which are the reverse of democratic. Secondly, it lays, perhaps, undue weight upon mere geographical contiguity. New Zealand is certainly in the economic and social orbit of the United Kingdom; equally certainly, Rumania is not. The most that can be said is that there

are degrees of economic connection, just as there are degrees of democracy or dictatorship; and that regarded as a whole a continent like Europe is closely knit in economic and social intercourse—Great Britain, for example, having intimate relations with the Scandinavian countries, they with Germany, and Germany with the Danubian basin. A chain is no less strong because its terminal links do not touch each other.

Thirdly, the continental concept of union would present the United Kingdom, and Ireland also, with a very difficult choice between their European and their extra-European ties. It might mean the virtual dissolution of the British Commonwealth, leaving it as scarcely more than an informal means of technical and administrative co-operation between certain special members of different continental groups. Supporters of the project could argue, of course, that this sacrifice would be worth while, in compensation for the great advantages implied in European unity; or that the importance of the British Commonwealth would actually be enhanced, because it would become the main bridge between the several continental units.

A purely continental union, fourthly, would have no chance of providing, within its own boundaries, a solution of those inter-racial problems which threaten to become more difficult and dangerous than mere international problems within the next few generations. That would have to remain a task for a second stage, when the relations between the several continental federations themselves were reorganised on a new footing.

On the other hand, two arguments of great weight can be advanced in favour of the continental basis of union. In Europe, if it could ever be brought about, it would solve automatically and permanently the problems that threaten to set the whole world ablaze with war, problems of frontiers and *Lebensraum*, problems of rabid and excessive nationalism. These troubles the project of oceanic union, unless and until it led to something wider,

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would not abolish but would only hold in check by creating an "unbalance of power". It would be an enormous combination of the undoubted "Haves" against the self-styled "Have-Nots". The lesson of "unbalance" in the past is that sooner or later it inevitably turns into a balance of power, because the dominant side lacks resolution to retain its advantage, while the subordinate side imposes stern sacrifices on itself in order to throw off its inferiority. The continental form of union is capable, in theory, of abolishing for ever both balance and unbalance of power within each continent. The second great argument for that form is its cultural basis. There is a unity of European civilisation which it will take more than an interlude of National-Socialist barbarism to destroy. This unity is deeply grounded in history and religion, and even some of the apostles of aggression draw inspiration from the concept of a Europe re-united under a Pax Romana or a Holy German Empire. Democratic policy is indeed handicapped to-day by its comparative lack of the unifying motive in its approach to the problem of European order. Certainly it would be unwise to base a permanent organisation of human society on a division in Europe resulting from a peculiar politico-economic conjuncture which may prove only temporary.

None of these arguments, in one cause or the other, is final. They are not indeed advanced here in order to show conclusively the superiority of one type of federal union over the other; for the likelihood is that if and when international union becomes practicable it will borrow from both forms. The point to which this article has been addressed is the need to base any political superstructure on a foundation of common interest and common sentiment which will give rise to a common loyalty. This groundwork of unity in the lives and thought of men must be strong enough and lasting enough to endure as long as the union itself, that is to say, far beyond the horizon even of our dreams.

AMERICA AND THE WORLD CRISIS

I. THE NEUTRALITY LAW

WHAT will the United States do if a war crisis develops in Europe in the near future? What will it do if war itself breaks out? Answers to these questions can be given in general terms.

First, in the event of a threat of war, President Roosevelt and Secretary Hull will use every diplomatic device they and their ingenious advisers can contrive to prevent its actual outbreak. Dramatic or traditional, big or little, they will exhaust every possible effort to tell the dictators that the power of the United States will be to some degree opposed to them in the event of war, and to some degree in support of efforts to work out their problems by peaceful adjustment.

Second, if war is actually precipitated, President Roosevelt will call a special session of Congress (he might do it during the crisis period, as another preventive measure) and will seek the practically guaranteed repeal of the arms embargo clause in the Neutrality Act. The full economic, industrial, agricultural resources of the United States would then be at the disposal of Great Britain and France, though perhaps on a "cash and carry" basis. In particular, the United States would be watching Asia. How, when, or whether the United States would actually be drawn into the conflict is, naturally, a question that cannot be answered, but if one is estimating the probabilities they are that the history of 1914-17 would be foreshortened and repeated.

The American people have two dominant feelings

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toward the world situation today: they want to stay out of war, and they do not like the dictators. They are emotionally unneutral, far more so than in 1914. But they are against sending an expeditionary force abroad. Therefore the precise pattern of participation might be very different from that of 1917, but it might be none the less effective. One stresses, again, the American desire to stay out of war. It is the most deeply rooted of this whole mixture of sometimes conflicting emotions. But realization is growing that the best way to stay out of war is to co-operate to prevent war's outbreak. However, in the co-operation, Congress certainly and the people in lesser degree are against giving President Roosevelt any discretionary authority. It is all right for him to continue to exercise the wide range of power already granted the Executive in foreign affairs. But he must not ask for any new validations from Congress until a greater crisis has actually changed present conditions.

These conclusions were all well illustrated in the events of recent weeks. First, the Senate refused to repeal the arms embargo. This decision was a result of many circumstances. The drive for a new neutrality law was colorably mismanaged by the Administration. It became obscured in the party battles of Mr. Roosevelt's declining political months. It resulted in part from meaningless parliamentary blundering. A dozen different minor "ifs" might have altered the result. The Senate did not exactly want to rebuke Mr. Roosevelt's foreign policy, but it could not like to give him a new vote of confidence that might have been too wildly construed. So it kept him under a kind of check-and-balance by deferring action on neutrality until a European crisis or next January's session—whichever comes first.

Perhaps readers will not object to an American political anecdote. Sometimes these incidents illustrate a point better than sober reasoning. Mention was made of the many "ifs" that swung the balance against repeal of the

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arms embargo. One of them was the fact that the fight in the House of Representatives, because of the rule of seniority in committee service, was in the hands of Representative Sol Bloom, a New York Congressman. Representative Bloom is an affable man, bursting with energy, but particularly unpopular with many Southern and somewhat race-prejudiced members of the House. The rule of seniority has now advanced him to the chairmanship of the House Foreign Affairs Committee. Had almost any other Democrat been in the post, the revisions of the neutrality Act might well have gone through Congress.

Now, how did Sol Bloom get on this important committee, anyway? Many years ago, during his first session of Congress, Representative Bloom and his wife and daughter, who enjoy diplomatic society, were very anxious to secure his appointment to the committee. And it happened that the appointment lay in the hands of Vice-President Garner, then minority leader of the House. Representative Bloom asked Mr. Garner for the job, and was ruthlessly turned down. He looked around for a subtler approach. It turned out that a sage and seasoned Texas newspaperman, a great friend of Garner's, was also under obligation to Bloom. The newspaperman, among other things, was Washington correspondent for the *New York Morning Telegraph*, a racing sheet, and Representative Bloom as a New York Congressman had been very helpful to him. So the Blooms invited the Texas journalist to dinner, and in the course of the meal asked him if he would prevail upon his even closer friend and fellow-Texan, Mr. Garner, to secure the appointment.

The newspaperman went to Mr. Garner and asked him to make the appointment. "I won't do any such a damn-fool thing!" said the forthright Texan. "Oh, do it as a favor to me," said the journalist; "I never asked you for anything before. This fellow Bloom is only here for one term, he'll never be re-elected, he'll never get to be chairman and we Democrats are in the minority, anyway."

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"That's all right," retorted Mr. Garner; "we'll be in office some day, and that fellow is going to get re-elected just as long as he keeps on good terms with Tammany, and he'll be chairman of that committee, you mark my words!" But as a favor Mr. Garner made the appointment, and it turned out that Sol Bloom's chairmanship of the committee was one of the palpable "ifs" that defeated the neutrality Bill revision, with resultant effects on the European situation and, perhaps, on world peace.

This story illustrates the many unpredictable, illogical things in American politics. It shows how the checks-and-balances system really works. It indicates the dead-hand rigidity of the seniority system, by which members of Congress become and remain chairmen of important, even crucial, committees quite without regard to their abilities. And it probably will convey to foreign readers another reason why they find it hard to understand American politics!

To round out an unconscionably long story, the result of the neutrality Bill reversal was temporarily to check and rebuke President Roosevelt's foreign policy. But the check was true only with great reservations. The actual situation remains this: for any period prior to the actual outbreak of war, there are no legislative hindrances on President Roosevelt in his conduct of foreign affairs. The neutrality law comes into operation only when a legal state of war is recognized by the President. And one after another of the Republican and Democratic Senators who voted to shelve the neutrality law for this session have said that in the event of war they believe in revision. Therefore the neutrality law is a sort of fiction, not applicable at present, and almost certain to be repealed by the time it could legally be applied. Moreover, its inhibitions apply only to arms, ammunition, and instruments of war. There is not the slightest legal hindrance to the sale and shipment of cotton, wheat, steel, copper, petroleum, automobiles, engines, trucks, and so on.

So the President's defeat by the Senate was at once seen

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as a temporary and a psychological victory only. And even the temporary and psychological gains soon came to be cut down. For the Senate did not have the support of any representative part of the press, and there were many indications that large parts of public opinion sympathized with the President. The recalcitrant Senators were scolded roundly. And the Senators themselves sought speedily to acquit themselves of sympathy with the dictatorships. One of them said that in the event of war he would favor not only a lifting of the arms embargo but also the supply by the United States—he did not specify on what terms—of aircraft and whatever other materials might be needed to Great Britain and France.

II. ACTION TOWARDS ASIA

AND then the balance was redressed still further. Two Bills had been pending in the Senate to apply a sweeping embargo upon all exports to Japan, ending the so-called American alliance with Japanese aggression. Either Bill would have required prior denunciation of our 1911 trade treaty with Japan. Senator Vandenberg, one of the Republicans who voted against action on the neutrality law, introduced a resolution to denounce this treaty and call together the signatories of the Nine-Power pact to consider concerted measures against Japan. President Roosevelt and the State Department, not willing to let a Republican get ahead of them, speedily and dramatically gave notice of termination of the 1911 treaty. They did not even let Downing Street know ahead of time.

This action should be taken as a far stronger warning notice to the dictatorships than would have been the repeal of the arms embargo. Japanese public opinion, according to the best observers, had been clinging to the hope that the United States might still be conciliated, and Japanese official policy had drawn a strict line of distinction between the American sheep and the British goat. The American

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action on the 1911 treaty should have ended this anomalous situation. Indeed, a few days thereafter the Tokyo crowds were demonstrating in front of the American Embassy just as they had previously paraded before the British Embassy.

The important fact is that our treaty denunciation was hailed with virtually unanimous approval in the United States. It was a purely executive act, taken without the slightest consultation of Congress, but it was entirely within the President's prerogative, and the Senate beamed approvingly. Republicans and anti-Roosevelt Democrats agreed that "this was just the sort of thing we ought to do!" In part this approval was a shamefaced reaction from the prior refusal to act on neutrality. It gave Senators a chance to approve the line of action which they had just blocked but in which they really believed. In part, too, it was an illustration of the greater freedom American public opinion gives to its Executive in regard to Asia than in regard to Europe. There is virtually no limit to fishing in troubled Oriental waters; in Europe—where other nations are in the front line—it is taboo. The situation is as illogical as many American political emotions. And, finally, approval of the treaty action followed an intensive campaign which churches, foreign affairs societies, and "peace groups" in general have been conducting for some time in support of an embargo on exports to Japan.

Therefore, inconceivable though it may seem, the United States has taken a first step toward blocking off commercial intercourse with Japan. The second step will normally be due in January, when the six-months period for terminating the treaty ends. At that time, if present sentiments hold, congressional and public opinion may support the imposition of self-denying ordinances keeping American cotton, oil, scrap-iron, and other war essentials from Japan. At the same time, American purchases of Japanese silk—essential to the Japanese economy—might similarly cease. The situation is portentous. What sort of retaliation would Japan adopt? Would the effects of a

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two-edged American embargo have a serious effect on Japan and prepare the way for an ultimate readjustment in Asia?

It was one of the unfortunate accidents of diplomacy that the combination of domestic circumstances which precipitated the denunciation of the 1911 treaty did not take place a week earlier, thus preceding and perhaps stiffening the Tientsin formula. But the fact simply is that President Roosevelt and Secretary Hull were far from being ready to act a week earlier, and the apparent weakening of the British attitude was an important reason for the stiffening of the American. It is definitely hoped that our action will take some of the pressure off Great Britain in China, at least in the long run, and thus be indirectly helpful in Europe. The news cables from London carried numerous dispatches recording British disappointment and irritation at not having been forewarned of our action, and a British diplomat in Tokyo was quoted as saying: "I wish to heaven it had come a week sooner". It is important to record that President Roosevelt and Secretary Hull were not trying to startle the British. They were trying to be helpful, and they acted quickly because they thought speed and surprise were of the essence of the matter.

If an American embargo on Japan is ultimately applied, its practical effects may be substantial, though not necessarily enough to end the war in China. With the European armament industries working at capacity for home consumption, Japan can get her supplies only from the United States. The better part of her efficient, high-power armament-producing equipment was obtained here, and she has ordered much machinery to supplement it. The precise machine-tool, steel-fabricating and auto-manufacturing specifications required to dovetail with her latest plants cannot be obtained elsewhere, and it is not feasible to scrap existing plant and rebuild on a British or German basis. Moreover, Japan has been obtaining virtually all of her essential scrap-iron from the United States—we are

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the only world source of supply—and most of her aviation petrol from here. Her own heavy industry can no more supply her heavy armament needs than her raw-material resources can provide substitutes enough for the scrap and oil that she buys almost entirely from the United States.

On the other side, American purchases of Japanese silk now provide over 60 per cent. of her dollar trade balances. The American Government could cut this off under the countervailing duty system. The result would greatly cripple Japan's purchasing power, but the blow might not be fatal if Japan at the same time augmented her resources by several hundreds of millions of dollars by acquiring deposits in the foreign settlements of Shanghai and Tientsin. However, Japan's gold stock is low, her dependence on foreign supplies is critical. Hence the American "sanctions" would be a blow of the first magnitude. At the same time, of course, American armament construction proceeds swiftly, and the fleet continues to be concentrated in the Pacific. The Senate has just ratified a new treaty with Panama, somewhat increasing protection of the canal, which is being further safeguarded by construction of another complete set of locks. In short, there are plenty of reasons for anxiety at Tokyo. Thus is the United States doing her bit, taking care of her assignment, in the informal and unofficial alliance of the democracies.

III. PARTY POLITICS AND THE PRESIDENT

SHOULD matters become worse in Europe, the same sort of policies would of course continue. Whatever President Roosevelt's domestic difficulties, he can count on rising at least a little way above them when he operates with sure touch in the foreign field. Already the long and murky shadows of American party politics are arising to confuse the outward aspects of foreign policy. But the rest of the world need not be dismayed. A great many strange sounds and sights will emanate from the United

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States in the next fourteen months, but they probably will not alter fundamentally the nation's foreign policies. In short, the party struggles that have so damaged President Roosevelt's domestic prestige need not necessarily block his foreign program.

He is certainly taking a hammering in domestic affairs. The late unlamented session of Congress was completely rebellious. The Republicans, augmented in last November's electoral victories until they amounted to about one-third of each House, have held to compact unity, and been joined by enough Democrats to make a working majority. The facts are simple enough. An American President, a dominant and aggressive political leader, approaches the end of his second term. There is something of a political reaction against his Administration, and a crucial contest has begun over his succession. The shadow of the third term has hung over this session of Congress. One issue alone has dominated, even when foreign affairs were concerned. It is pro-Roosevelt or anti-Roosevelt, now and in the future.

These terms mean many things to many people. To some, the dominant question is the President's own aggrandizement of the presidential office, with all it implies. Passionate opposition to Mr. Roosevelt personally has waxed high, just as it has against all strong American Executives who claimed to represent "the masses" against "the classes"—Woodrow Wilson, Theodore Roosevelt, Lincoln, Jackson, Jefferson. Vituperative abuse, unlimited hatred, of "that man in the White House" is nothing new in American history. You can even find the same phrases recurring from Jefferson's day to the present.

Although it is significant that such opposition has been directed against Presidents who took a populist stand, and vested economic interest has often furnished the fuel for the attack, it would not be accurate to brush aside such hostility as purely selfish or emotional. The case against Mr. Roosevelt, which has resulted in his present legislative defeats, rests on many grounds.

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First, the anti-third-term tradition is very strong, and it is particularly effective against an aggressive, heavy-willed, volatile Executive like Mr. Roosevelt. People are just simply tired of so much rushing about in their national government. The natural swing-back from a tireless, nervous, progressive Administration to a soothing, more conservative Administration is definitely under way.

Second, the Administration has failed to bring about recovery. Unemployment is still very high, the farm problem is as acute as ever, millions of people have become accustomed to regular governmental subsidies and will be hard to wean. The man in the street wonders whether the Administration's recipe is sound after all. Most of all he is worried by the mounting federal debt.

Third, all sorts of political coincidences and mishaps down the past six years, add up to more enemies for the Administration in Congress, more votes in the opposition. And the opposition is cleverly and covertly led by Vice President Garner, a shrewd and silent plainsman best described as the "cactus Coolidge".

There are also, roughly, three great divisions in American public opinion. First are those who are against the New Deal and all its works, who want it stopped and do not care how far reaction and repeal go. Second are those who accept most of the New Deal's reforms, do not want it nullified, but want it to pause and calm down. Third are those who feel that our national problems are yet unsolved that the New Deal has not gone far enough, and that it must press on into fields yet uncharted.

Any two of these three groups, certainly, would hold majority power in the United States. The real test turn on the ultimate destination of the middle group. At present, this decisive and preponderantly large fraction of national opinion leans away from Mr. Roosevelt. Joined with the out-and-out oppositionists, they have defeated much of his legislative program, and they could certainly

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prevent his re-nomination or re-election next year. Therefore a profound change in the present situation is required if the President is to secure the continuance of a zealous New Deal program after 1940. One way would be to eschew the third-term attempt and support a suitable heir-apparent. But no zealous New Dealer is in sight who could possibly be nominated or elected. The best the President could hope for would be a compromise candidate. And such an individual might turn out, just as President Taft did for Theodore Roosevelt, to be a reactionary who would nullify many progressive reforms. Another often-discussed possibility is the effect of a European war on the situation. For a long time it has been generally speculated that in the event of a war the country would demand President Roosevelt's experience in office. That conclusion can no longer safely be assumed.

However, Mr. Roosevelt is unshaken in his belief that "the people" are with him. Soon he is to cross the continent again, re-establishing his contact with the great voting masses. His task next year, however, will first be to secure a nomination from the Democratic wheel-horse politicians who make up the national convention. The convention, apparently, will be preceded by another session of Congressional rebuffs to the President. If, in some way, he evokes man-in-the-street support between now and then, the Democratic politicians might come scurrying back to his camp. But hardly otherwise. If they remain recalcitrant, the President will have to choose between a desperate losing battle, the acceptance of a more-or-less satisfactory compromise candidate, and a deliberate withdrawal into opposition on the likely assumption that the Republicans would defeat the rightward-swinging Democrats and that he could come back as a progressive-Democratic candidate in 1944. Mr. Roosevelt has maintained much philosophic poise during his later drubbings. He evidently assumes that he is right and Congress is wrong, that he can so demonstrate the facts

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to the people, and that every additional victory by Congress is so much more ammunition for him against the guilty knot of dissident Democrats. He will probably try to purge them from the party. But he faces a task of great magnitude; if he surmounts it his political laurels will turn fresh and green again, and they will be unequalled in American political history.

IV. THE ROYAL VISIT

NOW to a much pleasanter subject. The visit of the King and Queen is now two months old, but its effects remain as an important factor operating upon American public opinion toward the world problem today. Never has a ceremonial visit gone more satisfactorily, at least from the viewpoint of the visited. It must be recalled that, when the royal couple came, British policy and in a sense Great Britain itself were rather under a cloud in American eyes. The abdication crisis had never been accurately understood here, and Mr. Chamberlain's policies were the object of unrestrained criticism. The misunderstanding, of course, dated back at least to Sir John Simon's tenure of the Foreign Office in 1932. The composite picture was one in which the British "ruling classes" came off very poorly indeed.

The King and Queen almost completely reversed this picture. They typified something above passing Cabinets, they typified the real British nations—all of them. First of all, Americans saw that they should amend their judgment about the abdication crisis. Viewing the queenliness of the Queen, they realized what unspoken motives had been involved in the British decision in 1937. The Queen's triumph, therefore, wiped out a very important source of misunderstanding.

It is a bit more difficult to explain how the royal visit made British policy in recent crises more comprehensible and attractive. The fact is simply this: the King and

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Queen were so very human and gracious and thoughtful, so altogether faithful and appealing in their impersonation of the British nation, that people said: "The good old British! They're not down yet. Yes, sir, they've got a lot of good qualities. You can depend on them. They're still pretty solid".

Similarly, the peculiar kinship between the United States and Great Britain was symbolized and recognized during the visit. Few Americans were blind to the significance of King George's wreath laid on George Washington's tomb, and few failed to comment upon it. Nothing was overdone about the trip. The itinerary was appropriately short, although it was fearfully intensive for the guests, and the absence of all outward propaganda efforts was entirely correct. All the same, Great Britain got more propaganda, more favorable publicity, spread over the United States than she has had since 1918. The importance of this simple factor is not to be overlooked. In sum, the royal visit may be said to have rehabilitated British character in American eyes. And that is no small achievement.

With Congress adjourning, with President Roosevelt going off on a high-seas holiday, the nation is nevertheless ready for the next international crisis. Eyes are turned on Europe and on Asia. Clear and forthright policies on the part of Great Britain and France will be the surest way of obtaining American co-operation. Temporizing in further compromise would profoundly deject and disillusion the United States. The dictators will in part determine by their actions how strongly and unitedly the American people support a positive peace policy. But a far larger part of the determination rests with the democracies. Faced by clear issues, inspired by bold and brave policies in London and Paris, the American people are likely to go far in the defense of what they are beginning to realize is their civilization too.

United States of America,

August, 1939.

SOME PROBLEMS OF AUSTRALIAN DEFENCE

I. THE OBJECTIVES

THE objectives of Australia's programme of national preparedness are based, of course, on the universal character of modern warfare. They are also based on two special risks new to Australian policy—that the country in a future war will have to defend her own territory and population against direct attack, and that for a greater or less period her sea communications may be cut. To prepare for such a situation calls for organisation and planning upon a scale hitherto unknown, cutting deeply across the ingrained social habit of the nation. The willingness of a people to accept such a sacrifice will depend largely on the keenness of its sense of the dangers that threaten it. In Australia opinion has fluctuated markedly in accordance with apparent changes in the international situation. Each fresh crisis abroad produces heightened apprehension, and a feeling of irritation and impatience at the slow processes of Governments that have to act by consent.

The Government has analysed into four phases the general programme of national preparedness:

(i) the organisation of man-power and of women's voluntary efforts; (ii) the regulation and control of primary production in an emergency; (iii) industrial mobilisation of secondary industries in an emergency; (iv) Commonwealth and state co-operation in peace and war.

To these objectives should be added the increased self-sufficiency of Australia in respect of munitions and war equipment. The importance of this objective was

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emphasised at the Imperial Conference in 1937. It was there laid down that resources for the manufacture of munitions should be developed in different parts of the Empire, with a view to reducing the existing dependence of all parts of the Commonwealth on the munitions produced in the United Kingdom, and to avoiding the over-concentration of resources in areas especially liable to attack. In particular, the provision for the manufacture of aircraft in Australia is a direct outcome of the discussions at the last Imperial Conference. The Minister for Defence has stated that as much as 82 per cent. of the cost of the present defence programme, which is estimated at £32 million in 1939-40, will be incurred within the Commonwealth.

II. A MINISTRY OF SUPPLY

THE burden of organising the nation's effort along all these lines at once has proved in Australia, as in the United Kingdom, too great for the existing departmental structure—in Australia a single Department of Defence, controlling all the fighting services. A remedy has been sought in the establishment of a new Department of Supply and Development, which has been placed under the control of an experienced and energetic Minister. The new department assumes responsibility for the provision or supply of munitions (broadly defined); the manufacture or assembly of aircraft by the Commonwealth or by any of its instrumentalities; arrangements for the establishment or extension of industries for purposes of defence; and the acquisition, maintenance and disposal of stocks of goods in connection with defence. It is also charged with responsibility for the arrangement or co-ordination of surveys of Australian industrial capacity, and the preparation of plans to ensure the effective operation of Australian industry in time of war. Such plans may provide for the decentralisation of secondary industries, and particularly those relating to defence. Finally, the department is to be responsible for

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the investigation and development of Australian sources of supply of goods which in the opinion of the Government are necessary for the economic security of the Commonwealth in time of war: in particular, for the investigation and development of additional fuel resources.

The Act establishing the department also imposes an obligation on all persons to disclose, if the Government thinks it desirable in the interests of defence, any information required in relation to industrial, commercial or other undertakings, or with respect to any goods. The Opposition repeatedly expressed the fear that in time of emergency the Government might by regulation introduce "industrial conscription". The Government, as repeatedly, disclaimed any such intention, though failing to make plain the extent of the powers of industrial control that it contemplated. It did, however, accept a Labour amendment forbidding the making of any regulation that might deprive trade unionists of their industrial rights under Commonwealth or state law or under an agreement with employers, or that might restrict the freedom of any employee to change his employment. The Government was not prepared to bring within this amendment its own employees, contending that their conditions of work would be determined as hitherto by the Public Service Arbitrator, and that no specific provision for their protection was necessary.

For the supply of munitions, the Government is relying on a combination of government factories and private enterprise, and aims rather at organising factories that can be brought into full production when required than at the accumulation of huge stocks in advance. Existing government munition factories will be brought to their maximum output, but additional government factories will be established only for making essential types of munitions that are not obtainable from commercial industry as at present organised. In these additional factories the whole procedure and technique of manufacture are to be recorded,

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with a view to making specifications available to industry in an emergency. The Government has also made arrangements for equipping extensions to state or private establishments, enabling skilled craftsmen to receive a training that would fit them to undertake the production of special types of munitions in an emergency. Some twenty of these "industrial annexes" are in course of establishment; five in connection with state railway workshops and the rest in connection with selected private enterprises. The plant in the annexes will remain the property of the government, and its use will be subject to close government control. The idea is to allot a trial order to each annexe upon its completion, in order to test the equipment and personnel, and thereafter to close the annexe unless and until it is required in an emergency.

The manufacture of fighting aircraft is to be one of the special concerns of the new department. The Government proposes to use existing industrial resources as fully as possible in the manufacture of parts (most of which, however, except chassis, will for the present have to be imported) and to confine its own activity to the establishment of assembly centres at Sydney and Melbourne. Airframe manufacture will be undertaken for the department mainly by the railway workshops in the states. A General Manager of Aircraft Construction has been appointed, to superintend the whole aircraft enterprise; the Government secured the services of Mr. H. W. Clapp, the chairman of the Victorian Railways Commissioners, a man of strong personality, great energy and wide experience in the handling of large organisations.

A Principal Supply Officers' committee is charged with the function of ascertaining the requirements of the services in wartime, of examining them in relation to the stocks and resources of the country, and of preparing plans for mobilising the resources of industry in the event of war. Associated with this committee, particularly in relation to the wider objectives, is an advisory panel on industrial

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organisation, composed of leading industrialists. An economic and financial committee is engaged on a review of the strength and weakness of the national economy for war. A standing committee on liquid fuels is examining the whole question of storage and is also to examine alternative sources of supply. The Council for Scientific and Industrial Research is examining on a more general basis the problem of alternative sources of supply of raw materials. There may also be mentioned a primary products committee, hitherto associated with the Department of Commerce.

The Minister of Defence has stated that for the supply of arms and ammunition, in complete form, government factories are substantially the only agencies. But for the raw materials and for many of the preparatory stages of manufacture, as well as for the many elements, beyond arms and ammunition, that go to make up munitions in the wide sense, the Government is dependent mainly on private enterprise. This raises the perennial problem of controlling the profits of munitions industries. Suspicion of the Government's sincerity and efficiency in exercising such control was the main feature of the Opposition's attack on the Supply and Development Bill. Even on the Government side of the House, amendments were moved to fix a specific percentage of profit. The amendments were defeated, but the Government accepted an amendment removing any possible doubt that the ascertainment of costs and the control and limitation of profits in relation to the output of munitions are a mandatory and primary function of the new department. The Opposition was unable to suggest any specific and certain method for limiting profits, short of the nationalisation from start to finish of all production connected with munitions.

The Government has appointed an advisory panel of accountants, to advise generally on costing and price control for the production of munitions by private industry. The present system is to let all contracts by open tender

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under the scrutiny of a Defence Contracts Board. Work done in the munitions annexes, however, will be paid for on a "cost plus" basis, the manufacturer being allowed a profit of four per cent. upon a cost from which, in view of the special conditions prevailing in the annexes, certain elements of "overhead" are excluded.

III. MAN-POWER AND CONSCRIPTION

THE next phase of the national organisation to be considered is "the organisation of man-power and of women's voluntary efforts". A voluntary register of the war-time services for which women are trained, or are now being trained, is already being compiled. A number of other special voluntary registers have also been opened, through various professional organisations, including those of doctors, dentists, physicists and chemists. The Government also proposed to compile a general register of men, likewise on a voluntary basis. Some months ago, however, it was decided that in order to obtain a complete record the general register should be made compulsory, and a National Registration Act has now been passed for the purpose, against bitter opposition by the Labour party. The Government's proposals rested generally upon the desirability of ascertaining the resources in technically trained personnel available in the event of war. More specifically, they rested upon the existing provisions in the Defence Act that impose on all males between the ages of 18 and 60 a liability to be called up for military service in Australia in time of war. The Minister for Defence (Mr. Street) said:

All this Bill sets out to do is to ensure that, if the time should ever unhappily arrive, the law of the land shall operate intelligently. . . . Should the defence forces ever be required to mobilise, they will require to increase greatly their peace numbers in all classes, and particularly in regard to men employed in many skilled occupations. At the same time, skilled men are necessary for the production of equipment and the output of

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munitions. Further, it is obvious that key men in industry must not be allowed to vacate their positions to enlist in the defence forces; that would throw industry in general into difficulties, and affect the provision of supplies to the forces and the general life of the community. . . . A list of reserved occupations is being compiled and will be published for information. Men trained in these particular occupations are limited in number and there would naturally be great demand for them in time of war. Individuals whose names and occupations appear on this list would be precluded from serving with the forces in an emergency.

The Labour party declared itself last year in favour of a survey of man-power resources, and when the Government announced its intention to compile a voluntary register the Leader of the Opposition (Mr. Curtin) claimed that the suggestion had in fact come from him. The language he used did not appear to imply that his support depended on the voluntary nature of the register as then proposed. However that may be, trade-union opposition to the later decision to take a compulsory register has been vigorously expressed, and the Opposition denounced the National Registration Bill as merely the prelude to the re-introduction of conscription.

Labour itself originally introduced a system of compulsory military training in time of peace, and imposed liability for compulsory military service in time of war, though only for home defence. But the conscription issue that divided and broke the Labour party in 1916 was a proposal to conscript men for service overseas, and by way of reaction Labour swung away even from conscription in the form of training for home defence. The first Labour Government since the war suspended compulsory military training in 1930. In Tasmania, indeed, under the vigorous and independent leadership of the Premier, Mr. A. G. Ogilvie, the Labour party reverted recently to the original Labour position, and declared itself in favour of universal and compulsory military training, as the only truly democratic method of preparation for national defence. Mr. Ogilvie's untimely death in June has deprived

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Australian public life of a leader with great force of character, and it is yet too early to know whether the Labour party in Tasmania will maintain under his successor its present unorthodox position.

For in spite of the developments of the last few years the Labour movement generally, both industrial and political, still clings to the voluntary principle in defence. The reasons are complex. Labour has never really recovered from the conscription split of 1916; many of its present leaders suffered personally for their attitude during the war of 1914-18 and are dominated by the fear that if conscription is admitted in any form it will somehow or other, and sooner or later, lead to the conscription of Australians for war service overseas. Doctrinaire radicalism is not common in Australian politics. But these personal memories are supported by distrust of the policies of capitalist Governments; by suspicion that the present emergency is the creation of propagandist agencies; by fear that Australia may be embroiled in warfare overseas in which she has only an indirect concern. It should be added, however, that the rank and file of Labour has not yet made its voice heard on this issue.

The position of the Government itself is by no means clear. Before the last election, the late Prime Minister joined with the leaders of the Country party and the Labour party in giving an assurance that conscription (meaning apparently compulsory military training in time of peace) would not be introduced in the Parliament about to be elected. Since then, there has been some agitation for the re-establishment of compulsory military training. The present Prime Minister has given a pledge against conscription for oversea service in time of war, but is understood to favour, in company with at least some members of his Cabinet, the reintroduction of compulsory military training in time of peace, a measure that can be carried through by executive action. It seems clear that for the present the Government has on hand at least as

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SOME PROBLEMS OF AUSTRALIAN DEFENCE

much as it can manage in giving a thorough training to the 77,000 militiamen already recruited on a voluntary basis. No assurance was forthcoming during the debate on the National Registration Bill that the compulsory training provisions of the Defence Act would not be put into operation without an appeal to the people.

Another Labour objection to the national register was based on the fact that no census of property was proposed. The Government's answer was that such a census had in fact been taken in 1915, but no use was ever made of the returns; that the Government was determined to exact a proper contribution from property towards national defence, but believed that the usual methods of taxation were the only sound methods of doing so; that the only real use of a census of property would be in aid of a capital levy, which was objectionable on many grounds. Under pressure from some of its own supporters, the Government did indeed yield on this point, and made provision for a census of property in addition to the census of man-power. The concession, however, did not bring much conviction that the Government intended to make any use of the information: it was too obviously based on political grounds. The Opposition, while supporting the amendment, expressed disbelief in the Government's sincerity in accepting it, and stated that it would not suffice to win Labour support for the register of man-power. Later phases of the conflict between the Government and Labour on this matter will fall to be recorded in another issue of **THE ROUND TABLE**.

IV. AUSTRALIA'S DEFENCE HORIZON

THERE remains to be considered "Commonwealth and state co-operation in peace and war". The public is not very fully informed of plans under this head. It is understood, however, that some functions in relation to civilian defence in war-time have been assigned to the

AUSTRALIA'S DEFENCE HORIZON

states, as for example to organise air-raid precautions in the coastal cities and to prepare for the maintenance of public utilities under war conditions. It had been hoped also to co-ordinate state public works expenditure, which plays an important part in the relief of unemployment, with the defence requirements of the Commonwealth, but it has not been practicable to make very much progress in this direction.

As for the main strategic problem that the defence preparations of Australia are designed to meet, the Minister for Defence told the House recently that the Commonwealth Government had the strongest assurances from Great Britain that in an emergency she would station at Singapore a fleet of sufficient strength to safeguard imperial interests in the eastern hemisphere. This reassuring statement should not, however, be taken as indicating that present Australian defence plans contemplate military action only along the Australian coast. There are occasional hints that the Pacific islands to the north of Australia are assuming a greater importance as a sphere of potential Australian action. At the very end of the parliamentary session, steps were taken to extend the Defence Acts specifically to the Australian territory of Papua and (with the exception of the compulsory military training provisions) also to the mandated territory of New Guinea. It is understood that the recent staff conference on defence in New Zealand between British, New Zealand and Australian representatives was concerned with the defence of the Western Pacific as a whole. The Australian public has by no means been specifically warned that it should begin to think of the Western Pacific islands as part of its own special defence responsibility, but there are certainly hints in that direction.

Australia,
July 1939.

PROSPECTS OF INDIAN FEDERATION

I. THE PRINCES' ATTITUDE

THE early realisation of federation in India has been temporarily hindered. At a meeting in Bombay in June the Princes passed a resolution indicating that the terms on which they had been invited to accede to federation were "fundamentally unsatisfactory". This discouraging development, at so late a stage in the negotiations, came as a surprise to many, although it had long been known that several important Rulers were dissatisfied with the proposals for their accession. The actual offers, which have not been made public, were submitted to individual Princes six months ago, and it was generally assumed that they were circumscribed only by those conditions which the British authorities regarded as essential if federation is to be real and effective. The unwillingness of the Princes to accept the offered terms suggests that there are important issues upon which they still seek assurances, although it does not imply that the scheme of federation, outlined in the Act of 1935, should be abandoned or even substantially altered.

The Princes have apprehensions in three directions. They fear for their treaty rights in the future; they are suspicious about the administration of federal laws within their states; and several important states wish to retain control of land customs. The Princes lay emphasis upon the maintenance of treaty rights, contending that a federal legislature may encroach upon them. Under the Act the Governor-General is authorised to protect treaty rights, but the Princes regard this form of protection

THE PRINCES' ATTITUDE

as inadequate and seek a more juridical method. They believe that to leave their protection in the hands of the Governor-General may lead to difficulties in the future, a view supported by the assertion that the special responsibilities of the Governor-General and the Governors of provinces have hitherto not proved effective safeguards. This attitude owes its origin to the recent political agitation in the states, some Princes claiming that the British authorities should have intervened to prevent British Indian subjects from entering the states in order to conduct campaigns in favour of administrative and constitutional reforms. In view of their lack of faith in the Governor-General's power to protect their treaty rights, the Princes ask that these should be scheduled in their Instruments of Accession; then, in the event of any encroachment on their jurisdiction by the federal authority, they could have the constitutional position interpreted by the Federal Court, an institution that has already inspired great confidence in Indian minds. The Princes believe that the Federal Court will be devoid of political bias and will be less affected than the Governor-General is likely to be by a federal Government deriving its sanction largely from elements ill-disposed towards the states. Some Rulers indicate that the settlement of this issue along the lines desired is a pre-requisite condition of their accession.

Regarding the administration of federal laws in the states, the Princes are nervous lest this will result in flooding the states with a host of federal officers, over whom they would have no control. Several states feel that their governments are perfectly capable of administering the subjects on the federal legislative list under some central supervision. They claim that the offer made to them nullifies the provisions of the Government of India Act entitling them to limit the executive authority in respect of those governmental purposes for which they accept federation. Their fears in this matter appear to be exaggerated, being based on failure to understand the

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inevitable consequences of federation. The number of federal officers who will operate in the states will be extremely limited; there will be very few federal subjects which the states themselves will not be allowed to administer, and there is small likelihood that the authority of the Princes will be weakened or destroyed. Under the new constitution the federal authority will have jurisdiction over the states in respect only of those subjects which the Princes surrender to federation; encroachment into other fields is prevented by safeguards, which the Princes, however, believe will be ineffective. Here they face a problem similar to that which the Congress party faced when invited to assume office under provincial autonomy. The belief was then expressed that the Governors would intervene in cases where they had no right to do so. The fear then felt has not been justified by events, though the Princes are of the opinion that intervention should have taken place over certain issues directly affecting their states.

The Princes also ask that no restrictions should be placed on their power to develop their own land customs. They maintain that this will not affect federal revenues, as there are natural limits beyond which the states cannot expand their customs revenues. This is disputed. But in respect of land customs, as of federal rights in the states, it is believed that adjustments may still be made "within the four corners of the Act". As to the main grievance about treaty rights, there is some ground for believing that objections may be met by assuring the Princes that encroachments on those rights which are not surrendered to the federation are not legally permissible.

The objections raised by the Princes reflect an attitude of distrust towards those political elements in British India with which they are expected to federate. Their suspicions towards British India are largely traceable to recent events in many of the states, where outside agitators have conducted campaigns for constitutional and administrative reform. The Princes feel that they have not

DIVERSITY OF OPPOSITION

obtained from the Paramount Power that degree of protection from outside interference to which they consider themselves entitled under their treaty rights, and they believe that the chances of securing better protection under federation are small indeed. At the same time many of the Princes appear to misunderstand the purposes and intentions of the Act. Some of them are wholly unwilling to surrender to the federation any of the powers and privileges at present vesting in themselves. Their anxieties are understandable, as the politicians of British India have made it clear that they expect the Princes to readjust their policies and administration to the new conditions prevailing in the country. Believing that such a readjustment may go farther than they themselves intend, the Princes are endeavouring to unify their own policies, particularly on the question of their accession. The Bombay meeting marked a definite attempt to secure this result, but the unity achieved was largely artificial, as it was imposed upon the whole by sectional elements with particular grievances. Many of the Princes are believed to be satisfied with the terms which have been offered, and some of their advisers have indicated that the terms are not likely to be improved in the future. The British authorities do not regard the "omnibus" resolution passed at Bombay as an answer to the individual offers that were presented to the states. The individual replies of the Princes are awaited. These will be analysed, and a White Paper issued outlining the offers and the replies received.

II. DIVERSITY OF OPPOSITION

THE Princes' resolution rejecting the Instruments of Accession has raised the cry in India that the whole federal project should be abandoned, in view of the opposition to it that has everywhere been recorded. It is claimed that the Princes, the Congress, and the Moslems are all opposed to federation, although, as some people

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are ready to admit, the different groups oppose it for contradictory reasons. This opposition would apply to whatever form of federation might be devised to replace the scheme in the Act. Indeed, the reasons which find the Princes, the Congress, and the Moslems opposing the scheme would probably be enlarged rather than lessened by proposals for any other form of federation, as they now neutralise each other. The Princes hesitate to accede through unwillingness to surrender sovereignty to a central government in which elements hostile to them will have a determining voice; the Congress party objects to federation because popular control is likely to be circumscribed by the conservatism of the Princes, by the weightage given to other special interests, and by the over-riding powers of the Governor-General; the Moslems oppose the scheme because they claim that it means their political subjection to Hinduism. In some respects the Moslem opposition is the most serious. Though expressing the legitimate fears of a minority, it is largely based on communalism and it strikes at the very roots of that unity which federation was designed to achieve.

Despite the divided views about the federal scheme, there is still virtual unanimity in India that federation is the ultimate solution. The various groups contend only that it should take a different form from that envisaged in the Act. In British India, many nationalists urge the establishment of a federation based on the findings of a constituent assembly; but this presupposes agreement between the Princes, the Congress, and the Moslems which does not at present exist and shows no signs of emerging in the near future. Other nationalists demand the immediate formation of a federation of British India, with a view to securing the accession of the Princes in the future; this is not likely to be acceptable to the British authorities, as Parliament agreed to the principle of central responsibility mainly because the Princes would be a party to it.

IS FEDERATION POSSIBLE ?

The Moslems seek a different kind of federation. They wish to link all the Moslem areas into a confederation and associate them with some form of central government in a way that has never been clearly explained. The Princes, while willing to associate themselves with British India, desire to do so on terms that British India is certain to reject. For while most political commentators in British India have welcomed the decision at Bombay, as further evidence of opposition to federation, they also make it clear that the Princes should not be offered more generous terms. The general opinion in British India is that the Princes have probably been offered too much. In effect, the pressure in favour of federation is certain to continue, but it will be accompanied by additional pressure to prevent the Princes from having better terms. There is thus no genuine reason why the present scheme should be abandoned, as it still represents the best common basis for agreement, even if it does not completely meet the views of any of the different groups.

III. IS FEDERATION POSSIBLE ?

THE question whether the federating units can possibly coalesce has been widely canvassed. Some constitutional experts maintain that it is impossible to blend autocracies, which the states mostly are, with the democracies which British Indian provinces are rapidly becoming. Moreover, in British India objection is taken to the method by which the states are to be associated with federation. It is asserted that a federation based on the accession of state units will fail, if it means affiliation of their rulers rather than their peoples. It is held that the federation should derive its authority from the people who compose the federating units. The Congress campaign in the states was designed to achieve this. Political commentators in British India declare that the states will achieve an unfair position in the federation, because of

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their varying interests and the different stages of political development to be found among them, quite apart from the weightage which they will have numerically in the central legislature.

The argument that the federating units are unblendable was considered, however, when the Act was prepared and it was then clearly stated that the differences between the states and the provinces justified the creation of a federation different from all other federations. The association of the Indian states with British India was regarded as feasible, because it was generally understood that the states would become more democratic as time went on. That view was accepted by the wisest of the Princes, who realised that federation implied a modification of their autocracy. The states have only lately been affected by the surge of democratic ambition that has swept across British India since the war; they are not likely to remain unaffected by democratic developments in the future, even if they decide to stay outside federation. Indeed, some nationalist newspapers have plainly stated that the Princes cannot expect to maintain their autocratic isolation for ever, and have bluntly said that by staying out of federation they would possess no guarantee that democracy would by-pass their states. On the contrary, most political opinion takes the view that federation is inevitable, a view based on the assumption that the Princes, so far as states' conditions permit, will bring their constitutions and administrations into some form of harmony with those prevailing in British Indian provinces.

The joint rejection of the offer to the states does not close the door on federation. The Princes, indeed, clearly hinted in their resolution that it did not. But an important stage in the negotiations will be reached when the individual replies have been received from the Princes. In view of the Bombay resolution, these replies are almost certain to have a common basis, which will imply that the Instruments of Accession are unacceptable in their present form.

CONGRESS AT THE CROSSROADS

This will raise difficulties for the British authorities, who obviously framed the Instruments of Accession in the terms necessary to make federation the effective institution that Parliament intended it to be. The objections of the Princes, therefore, touch upon fundamental issues of policy, not merely matters of method, as some people contend. The replies will disclose to what extent the Princes are in fact prepared to make surrenders of their sovereignty to a federation in which they will be important partners. In some directions the Princes' grievances may be met; their objections will certainly have a fair hearing, and where their position is susceptible of adjustment within the framework of the Act no doubt adjustment will be made. But it is clear that some of the larger states are making demands that cannot be reconciled with the idea of federation intended by the Act, and would prevent the Indian project from developing in conformity with other federations.

IV. CONGRESS AT THE CROSSROADS

THE importance of the federation issue has not wholly obscured the fact that the Congress party is facing internal dissensions. Repercussions are still felt in nationalist circles from the curious episode when Mr. Subas Chandra Bose was elected president and then forced to resign office. The election of Mr. Rajendra Prasad, a much-respected Congress leader from Bihar, clearly implied that the Right wing would retain control of the party. But his election did nothing to remove the discontent within the organisation, particularly among Left-wing elements, directed against the dictatorial policy of the "high command", which is largely under the direction of Mr. Vallabhbhai Patel, the Gujarati demagogue. As Mr. Bose resigned office he announced his intention of creating a "Forward Bloc", and communists, socialists and others inclining to the Left appear to be giving the

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new group some support. Although adherents to the Forward Bloc are not yet sufficiently strong to deflect existing Congress policy, their increasing strength constitutes a threat to the organisation's unity which its present leaders cannot ignore. This being so, Right-wing elements are somewhat nonplussed by the attitude lately adopted by Mr. Gandhi, the outstanding exponent of orthodox Congress opinion, who has subjected the party and its policy to a characteristic analysis. His altruistic survey of the party's composition and policy has confounded those who constantly seek unity, and has displayed his own dissatisfaction with Congress methods in several directions. He has recommended the abandonment of *satyagraha* (passive resistance) in the states, after having been a prime mover in the campaign for states' reforms; he has urged drastic purges within the Congress, on the ground that corruption is rife; he has clearly intimated that non-violent mass action is impossible in the country at the present time, because the atmosphere is surcharged with violence. He has hinted that if violence breaks out Congress men as well as the Princes and the Paramount Power will be responsible. He has recognised, as few Congress leaders do, that Hindu-Moslem disunity exists in a dangerous form.

Mr. Gandhi's indictment of Congress is tinged with a degree of self-analysis that reflects the unexpected and even contradictory qualities of his leadership. In a dispute between the Thakore Saheb of Rajkot and Congress leaders who sought reforms in that state, Mr. Gandhi's intervention secured a submission of the dispute to Sir Maurice Gwyer, Chief Justice of India, who decided in favour of the Congress. Under the judgment the Thakore Saheb was obliged to accept the recommendation of the Congress leaders to appoint seven members of a committee of ten, constituted to draft a scheme of reforms for the state. In endeavouring to implement this judgment in Rajkot, Mr. Gandhi found himself in conflict with representatives

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of certain local communities, was unable to resolve the issue, and finally abandoned his effort to do so. He thereupon renounced the advantages that he had received under the Gwyer award, on the ground that the fast which he had undertaken in order to persuade the Thakore Saheb to meet his obligations had savoured of coercion, and had forced the Paramount Power to intervene. Mr. Gandhi therefore contented himself by appealing to the Thakore Saheb to meet the demands of his subjects. In so doing he sadly disappointed many of his followers, who believed that, in securing the Gwyer award, he had won a victory over both the state and the Paramount Power. With characteristic candour Mr. Gandhi confessed that his methods in seeking a solution in Rajkot had been wrong, apologised to the Viceroy for the unnecessary strain that he had placed upon him, and expressed his regret that he had given the Chief Justice so much labour in settling the legal issue. He implicitly admitted that the methods he had employed were inconsistent with his ethical theories.

The "confession and repentance" of Mr. Gandhi added to the difficulties within the Congress party, and the growth of fissiparous tendencies has lowered its prestige and weakened its counsels. The Right-wing and Left-wing elements are in open conflict on fundamental issues, but the Left minority appears to be anxious to remain within the main organisation. The minority is finding a certain degree of unity under Mr. Bose, although he has failed to win the support of Pandit Jawaharlal Nehru, who remains a somewhat isolated figure in current politics. His affection for Mr. Gandhi keeps him in allegiance to the Mahatma's policies, although his own political sympathies are of a more radical turn. But the extremists under Mr. Bose are biding their time, hopeful that Indian developments and British difficulties elsewhere may offer them an opportunity to seize the machine and run the party on other lines. As the extremists grow stronger and more vocal, the moderates are becoming more conservative;

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thus the cleavage between the two wings is increasing. There are some who think that Mr. Gandhi has made a mistake in alienating the good will of Mr. Bose, although they recognise that the time is bound to come when the ultimate nature of Congress leadership and objectives must be determined. Mr. Gandhi obviously intends keeping the Congress on its existing basis, leaving the Left-wing elements to collaborate where they can, or form a separate organisation if they wish.

Mr. Gandhi is manifestly groping his way towards a "new technique". He has lately devoted much thought to the theory of passive resistance, and has come to the conclusion that the non-violence claimed for the nationalist movement since 1920 has not been unadulterated. He observes that the campaign for reforms in the states has produced "violent reactions" on the Princes, who are filled with distrust of the Congress. He has stiffened his demands on those practising non-violence and has, indeed, placed his political philosophy on a level almost out of the reach of the majority of his followers. He admits that in so doing he may reduce the numbers of those who can practise his theories to an insignificant figure. That he does not mind. He is apparently satisfied that the Congress has ceased to be an effective vehicle for a successful nation-wide campaign of *satyagraha*. He even asserts that the majority within the party has no living faith in its programme. He suggests that *satyagraha* is inconceivable without an honourable peace between the rival communities. Provincial autonomy, he says, has brought about new tendencies and new conditions in the country, and nothing like justice has been done to the tasks that have fallen to Congress men under the new dispensation. While admitting that, in the main, the Governors have shown no inclination to interfere with the policies of Congress Ministries, he contends that the same is not true of Congress men themselves. The demands and opposition of Congress adherents have absorbed much of the energy

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of Ministers, who have been allowed to function without the active co-operation of their nominal supporters.

These damaging admissions are held to prove, not that active *satyagraha* has failed, but that it needs overhauling. Mr. Gandhi has endeavoured to show how his "new technique" may be applied to the movement for reforms in the states, particularly Travancore. He has urged the indefinite suspension of civil disobedience, has asked the states' people to open a way to honourable negotiations with the Rulers, and has advised that the pitch of the people's demands should be lowered, in order to quicken the progress to the final goal. He has pointed out that a condition precedent to any campaign of civil disobedience in a state is the fulfilment, by the general mass, of the party's constructive programme, as a test of coming under the discipline of the State Congress. While some regard this new attitude as a mere renunciation of former methods, others feel that Mr. Gandhi, with his customary prescience, is reaching towards a new political policy to meet the changed conditions in the country. In their view, Mr. Gandhi recognises that recent political and constitutional changes have been too heady for many of his followers; he knows that Lord Linlithgow, the Viceroy, is resolutely concerning himself in seeing that further changes, particularly in the states, should come about by rational and constitutional processes; and Mr. Gandhi acknowledges that the transfer of power under provincial autonomy has been real and far-reaching, hinting at further transfers in the central sphere at no distant date. These observers maintain that Mr. Gandhi's new methods are intended to put a brake on extremism, on the ground that a further drift towards the Left would only weaken the Congress and add to its difficulties in attaining fuller self-government for all India.

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V. DANGERS FROM THE LEFT

MR. GANDHI'S efforts are being counteracted to some extent by the activities of Mr. Bose. The spirited but unsuccessful fight which the Bengali leader put up against the dictatorship of a Congress coterie has evoked much sympathy for his courage, although orthodox Congress men have tended to cold-shoulder him. The extremer press, while anxious to give Mr. Bose a chance to re-orientate the policy of the party, are unwilling at this stage to support him fully. Not all the extreme elements within the party are ready to follow his lead, and he has added to the internal difficulties of Congress by seeking supporters outside it, even among its bitterest critics. He has had interviews with Mr. M. A. Jinnah, the president of the Moslem League, and Dr. B. R. Ambedkar, head of the Independent Labour party in Bombay, but better known as the leader of the untouchables, that remarkable minority of about eighty million souls on the outer fringes of Hinduism. His efforts to enlist those hostile to Congress in his Forward Bloc have encouraged some observers in thinking that he seeks a wider basis for his activities than he is likely to find within the Congress for some time. He has flatly revolted against some of the decisions of the upper hierarchy of the Congress, partly because he opposes the efforts of a coterie to enforce discipline, but largely because he is anxious to keep alive a mood of unrest among the masses, as a prelude to a campaign for a general upheaval against the British authorities.

In this he is clearly in opposition to Mr. Gandhi, who has definitely implied that mass action at this time is impossible and is likely to end in violence. Mr. Bose claims that the international situation offers opportunities for a final struggle between the Congress and the British authorities, opportunities which the Congress is unwilling to seize. The majority of Congress men, however, appear to be unready to accept his leadership, because of

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his quarrel with the higher command. As the *Times of India* recently remarked, "Whatever sympathy there may be for Mr. Bose in his quarrel with the present Congress leaders is dissipated by the fact that he and his *bloc* stand for further internal strife and social upheaval in the country at a time when peace and unity are essential." This reflects the view of most political elements in the country, including even those Congress men who find it difficult to follow Mr. Gandhi's new political and ethical theories. There is general unwillingness to abandon Mr. Gandhi's unofficial leadership of the party, based on faith in his capacity ultimately to lead India to her political goal. Recent incidents, in which Mr. Bose has flouted the party's new rules of discipline, suggest that he nevertheless intends continuing his efforts to consolidate the Left, with a view to leading the party along lines that it is still unwilling to follow.

His recalcitrance has provoked a demand for disciplinary action against him, and even Pandit Nehru has indicated that those who are unwilling to abide by the decisions of the party executive should make room for others. The *Hindu* of Madras contends that a body like the Congress, engaged in a national struggle, cannot take any chances with tactics which are disruptive of its organisation. It is clear that Mr. Bose did not lightly embark on his rebellious policy, as he refused to listen to direct appeals from Mr. Prasad that he should abandon his proposal to demonstrate against decisions of the executive. The demonstrations were carried out in various parts of the country, meeting with varying degrees of success. They had the effect of showing that a section of the party, having failed to secure control of the party machine by constitutional processes, is now in open revolt against its leaders.

India,
July 1939.

WORLD TRADE AND THE FUTURE

By a Special Correspondent

I. POST-WAR DISTURBANCES

THE war of 1914-18 shattered completely and forever the delicate balance of international economic exchanges on which the prosperity of the Victorian era had been based. It led to a vast destruction of capital, but to an even greater transference of wealth. America and Asia gained wealth at the expense of Europe; and not only financial wealth, but productive capacity and experience also. Europe was left laden with debts and light of assets. The deliberations of the peacemakers were too long protracted, and the final results were not sufficiently realistic. The refusal of the United States to cancel the war loans due to her by the Allied Powers riveted the burdens upon them, and they in turn placed a new burden of debt in the form of reparations on the defeated countries, already bankrupt. The New York bankers sought to bridge the gap by making further loans available to Europe, and while the loans were being made they induced a fictitious prosperity. But, in the absence of any means whereby the debtors could pay off debts through an expansion of exports, it was only a matter of time before this precarious balance broke down; and with the collapse of the United States stock-exchange boom in 1929 the whole house of cards fell to the ground.

New political and social strains arose, and often the victims of trade depression were saved from bolshevism only by fascist creeds, operating the same methods. A

POST-WAR DISTURBANCES

world that was not safe for trade was not safe for democracy. The planned economies invented to meet the new conditions represented an effort, and a brave effort, to rebuild social security on a narrower national basis. They sacrificed the standard of life which the old economic order sought but had failed to give to large sections of mankind, and they replaced it with an organisation of national production on a level definitely lower but on the other hand less dependent on external factors.

Meanwhile, the great democracies, especially Great Britain and France, whose social and financial structure had been less impaired by the war, continued rebuilding their old economic life, and for some years their efforts appeared to be successful. But their economic policies took inadequate account of the changes that had taken place around them. The markets abroad for their manufactures had been reduced or lost through the growth of competing national industries, and especially through the rapid industrialisation of Asia; and the production of the oversea Dominions and colonies lying in their economic and political orbits was no longer able to find a market in a world where consumption was reduced either by poverty or by policy. They in turn found themselves faced with unemployment and currency difficulties; and they met these difficulties by means of tariffs, quotas and other ingenious devices for maintaining a higher standard of life than they could afford in a bankrupt world.

Finally, as the strain imposed by the totalitarian States on their people grew heavier and heavier, their dictators sought to justify themselves to their own followers by blaming their difficulties on the selfish policies of happier lands; and, with the lead which they had established in rearmament, they became more and more insistent in their demands for a re-distribution of wealth. The democracies responded by rearming with equal zeal. Thus the world has become involved in its present race, through

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economic nationalism, to armaments and bankruptcy. Even if war can be avoided, the present armaments race will involve for most of the peoples of Europe further deep and painful readjustments of their social and economic systems.

II. ECONOMIC CHANGE IN THE BRITISH EMPIRE

THE break-up of the old economic order has profoundly affected the position of Great Britain and of the Empire. The efforts and the sacrifices made by the Dominions during the world war greatly developed their political consciousness, and thereby stimulated the economic tendencies, which were already emerging, in favour of encouraging domestic industries and protecting them from the competition of the more developed export industries of Europe. This process received a further impetus from the collapse of agricultural prices in 1929, which upset the balance of payments and the purchasing power of practically all the overseas Empire countries. The British investor, with some £2,000 million locked up in the Empire, was deeply interested in assisting the Dominion producers to obtain a fair share in the glutted world market. Thus both sentiment and self-interest suggested to the home country the policy accepted at Ottawa, whereby the Dominions were assured a preferential position in the United Kingdom market, at the expense of foreign countries—an advantage of outstanding importance to them during the following years. In return, the Dominions extended the preferences which they already accorded to United Kingdom manufactures, and they undertook to limit, to some extent, the degree of protection accorded to their domestic industries. The effectiveness of such undertakings in stemming an inevitable process should not be exaggerated, but they have undoubtedly been of some value to United Kingdom exporters. Lately, however, the Dominions have come

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to realise that the United Kingdom market will not suffice to absorb their production unless they can also maintain their outlets to potential markets in foreign countries. There is growing evidence of a desire to modify any engagements in the Ottawa agreements which hamper their economic freedom of action in relation to foreign countries.

A brief examination of the effect of Ottawa on the trade of the several Dominions and India may be useful here.

Canada :

The main benefit of the Ottawa economic agreement to Canada lay in the opportunity that it gave her to displace the United States in the United Kingdom market for certain agricultural products; so far as the United Kingdom was concerned, this transference did not substantially alter the economic balance with North America as a whole.

Australia and New Zealand :

The preferences given in the United Kingdom market were of vital importance to Australia and New Zealand in enabling them to find a market for their agricultural produce. For her part, the United Kingdom gained, first, through the maintenance of the financial solvency of these Dominions, and, secondly, by obtaining an assured share of their markets for manufactured goods, within the limits of their purchasing power.

South Africa :

South Africa is dependent first and foremost upon her gold-mining industry, and for the past seven years South Africa has been one of the most prosperous corners of the globe. The Ottawa agreement probably helped the United Kingdom to obtain a greater share in this prosperity than would otherwise have been likely; but it did not have a major influence on the economic trend.

The Indian Empire :

It is in India that the stresses—both political and economic—of the past twenty years have been definitely unfavourable to the economic position of the United Kingdom. The industrialisation of India has enabled

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her to replace a great part of the cotton piecegoods and other manufactures on which a goodly proportion of the working population of the United Kingdom were dependent in the past. The political tendencies favoured this process, by fostering the protection of Indian manufactures. The Ottawa agreement helped the United Kingdom exporters, in certain trades, to maintain their position, as compared with foreign exporters, but it did little to help them against the growing competition of protected Indian industries, and under the revised agreement concluded this year their position has substantially worsened. The development of Indian economic protection, inevitable though it was, has involved the loss to the United Kingdom of some £50 million of export trade annually.

As could have been foreseen, the adoption by the United Kingdom of protection and imperial preference, in combination, substantially reduced the purchasing power which foreign countries had derived from their trade with her, and which they had used largely for purchases in the rest of the Empire. In round figures, the result was to transfer £100 million of purchasing power from foreign countries to the Empire.* The fall in the purchas-

* The debit balance of trade of the United Kingdom with British countries and with foreign countries respectively during the past ten years shows the following development:

EXCESS OF U.K. IMPORTS OVER EXPORTS				
Year.		British Countries.	Foreign Countries.	
		£'000	£'000	
1929	.	11.4	370.4	
1930	.	35.3	351.2	
1931	.	60.9	346.2	
1932	.	71.1	214.6	
1933	.	75.2	182.9	
1934	.	74.7	209.6	
1935	.	69.3	205.7	
1936	.	104.7	241.7	
1937	.	140.9	291.4	
1938	.	125.4	262.6	
Change since 1929	.	+114.0	-107.8	
786	.			

ECONOMIC CHANGE IN THE BRITISH EMPIRE

ing power of foreign countries naturally resulted in a contraction of their markets for the products of the over-sea Empire countries. On the other hand, the requirements of the United Kingdom have been inadequate to absorb the full output of those countries, or to enable them to purchase more United Kingdom manufactures. Partly, therefore, as a result of the poverty of her customers, and partly as a result of political tendencies, the actual outlets for some of the staple United Kingdom exports have tended steadily to contract. The course of events can be changed only if the world demand for the raw materials and other primary products of the Dominions and colonies revives and their purchasing power is thereby raised.

One aspect of United Kingdom policy may have serious repercussions on the Empire, namely, the attempts now being made to stimulate home agriculture by restriction of imports. No doubt, the hopes raised in the Dominions by the United Kingdom's adoption of imperial preference were exaggerated; the United Kingdom, with a population stationary and tending to decline, cannot provide a constantly expanding market for the Empire's expanding production of foodstuffs. But the inevitable effects of the falling birth-rate on United Kingdom imports have been accentuated by the decision of the United Kingdom to expand the domestic production of cereals and livestock by the aid of subsidies of various kinds as well as the restriction of imports, both foreign and Empire. In this policy, supported in many cases by fallacious arguments about supplies in time of war, there is danger both to the consumer in the United Kingdom and to the producer in the over-sea Dominions. The Dominions recognise that the United Kingdom Government is entitled to safeguard its agricultural production, just as they feel bound to maintain and develop their secondary industries. But they feel that the United Kingdom could attain its object by concentrating on forms of agriculture specially suited to the home market, which would not involve restrictions

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on imports of cereals and meat products from the Empire. The disillusionment that will be caused in the Dominions by carrying any further the present policy of the United Kingdom may ultimately be found to have serious effects on the economic relations between the different parts of the Empire.

III. THE POLICY OF THE UNITED KINGDOM

WHAT has been the effect of these developments on the economic position of the United Kingdom? First, the war shattered the unquestioned financial hegemony of Great Britain. It forced her to dispose of most of her realisable assets in the United States of America and in other "neutral" countries—something like £600 million in all—in order to pay for her war purchases before the United States joined as an associated Power. Thereafter the United States provided the dollars required to finance Britain's purchases, but she was left with a war debt of £900 million on this account. The debt was funded in 1924 and payments totalling over £400 million were made during the next ten years, until the British Government announced its inability to maintain these payments on their existing scale.

Meanwhile, the United States authorities were anxious that the pound should be stabilised, and in 1925 it was brought back to its old gold parity. For six years the position was maintained, with growing difficulty—widespread unemployment, stagnant trade, adverse balances of payments, budget deficits—covered up by short-term borrowings, these being facilitated by the flight of capital from a disorganised Europe. The withdrawal of French capital after 1927 disclosed the weakness of Great Britain's position, and with the collapse of the American stock-market in 1929, and the subsequent withdrawal of American capital from Europe, she was again forced off the gold standard in 1931.

THE POLICY OF THE UNITED KINGDOM

The coalition Government made a successful effort to restore budgetary equilibrium and adopted the system of protective tariffs, thereby reducing, for the time being, British imports, especially from foreign countries, by something like £250 million. The immediate effect of this and of the policy of "cheap money" was to stimulate home investment and to rectify the adverse balance of payments. But these measures merely transferred part of Great Britain's economic troubles to other European countries which were even less able to bear the strain. Their difficulties ultimately reacted on the British position. British unemployment figures improved; but the depression grew deeper in Germany, France and other countries. Throughout Europe, currencies toppled and exchange controls and restrictions on trade multiplied. In consequence, Great Britain herself had to face widespread defaults on commercial debts, reduction of her income from banking and shipping, and losses of outlets for her export industries. In order to protect herself, she restricted her imports from Europe, and in order to protect themselves the European countries in turn restricted their imports of colonial goods and Empire raw materials. The United Kingdom Government had instituted imperial preferences, which supported the market for Empire produce but did little to help the United Kingdom export industries. The ultimate effect of Great Britain's tariffs was to raise the cost of many of her exports, and this made it more difficult for her manufacturers to hold their own against their continental competitors.

Meanwhile, the United Kingdom had maintained, and had even been able to extend, social services. The system of unemployment insurance kept wage-standards up and discontent down, but delayed the transfer of labour to new occupations and added to industrial costs and to budget deficits. When, finally, Great Britain had to undertake rearmament on a colossal scale, the budget was again in a state of disorganisation and the balance of payments

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seriously adverse. Political uncertainties, coming on top of economic deficiencies, led to the withdrawal of foreign capital and a further depreciation of the currency. The network of makeshifts adopted to support the national economy had in the end reduced rather than increased its natural strength; each effort to meet the difficulties of one section has merely piled higher the burden on the rest of the country.

Great Britain, it is true, has avoided the more extreme forms of economic nationalism, and she has still very large reserves on which she is entitled to draw. She has spread the strains to which her economy has been subjected, and she has succeeded in maintaining a standard of prosperity which bears comparison with that of any part of the world. By means of preferential imperial relations, she has maintained a flourishing high-cost trade between the United Kingdom and the rest of the Empire, and in a number of special lines she has succeeded in maintaining a reasonably competitive position. But it is becoming increasingly difficult for her to do this. Her economic prosperity depends on an all-round development of her trade with the whole world, and in the long run she is unlikely to be able to maintain it by bolstering up her relatively high-cost production either by any system of tariffs and subsidies or by clearings and payments agreements. The British people have to face the fact that unless trade and prosperity can be revived on a world-wide basis they must accept a reduction in the national standard of living.

IV. CAN WORLD PROSPERITY BE RESTORED?

IN brief, the story of the past twenty years, and particularly of the past ten, is that each country has been feverishly trying to preserve some degree of prosperity for its people by means of palliatives, each of which has contributed to make wider and deeper the general disorganisation of world

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economy. One of the most disquieting consequences is the effort of many Governments to justify to their own people the failure of their efforts by blaming other countries for the difficulties created by their own policies.

The difficulties of countries of central Europe in the supply of raw materials, for instance, are the result of their policies of over-stimulating internal productive activity. This policy has entailed a greatly increased demand for imported raw materials, while reducing both the capacity and the incentive to export goods. The inevitable consequence is a stringency in the balance of payments, which makes it difficult for these countries to purchase the raw materials that foreign producers are anxious to sell to them. In normal circumstances, the gap might have been bridged by credits or loans; but the policies of exchange control and debt default, which are the usual by-products of autarky, have deprived the countries in question of any such possibilities. In this impasse, they ascribe their difficulties to the lack of colonial territories and demand a redistribution of the world's wealth. The development of colonial territories, however, requires the investment of capital, which may for many years be unproductive, and the countries in question are suffering from a shortage of capital. Sweden and Switzerland, which have no colonies, suffer no shortage of raw materials, and are indeed among the most prosperous countries in the world. On the other hand, the seizure of Manchukuo has not enriched, but impoverished, Japan; the conquest of Abyssinia has not helped Italy, but has increased her financial and economic difficulties; and the possession of colonies would do nothing to improve economic conditions in Germany. The claim for additional "living-room" comes, absurdly, from a country which has had to import 800,000 farm workers to maintain its agricultural production. Nor is it possible to redistribute the world's wealth. National wealth is represented in the main by industrial organisation and not by transferable assets.

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Such claims are the products of economic ignorance and political propaganda.

The solution of the present-day economic problems of Europe needs to be approached from a much wider standpoint. The real question is whether there is any treatment that can cure the general impoverishment of Europe. Is it practicable to orientate policies in a new direction, or are we all bound to continue, under the pressure of vested interests, in the present state of strain and depression, with the growing political and social tensions that it involves? Great Britain certainly cannot do it alone, but could not an effort be made to secure a wider reconstruction of world trade and world prosperity in which she and other countries of the British Commonwealth could contribute their share?

The largest single factor in the disorganisation of post-war economies is the transfer of financial and economic power from Europe to the United States. The United States has surplus foodstuffs and raw materials to export, as well as highly efficient manufactures, which the rest of the world wants; but she can receive payment for these exports only if in return she is willing to take imports, which at present she does not want. She has claims in respect both of war debts and of post-war lending which she is fully entitled to assert; but these debts cannot be paid unless she takes still more goods from the debtor countries over and above those required to balance current trade. The difficulty is made still more insurmountable by the flight of refugee capital to the United States on an ever-increasing scale. As a result of all these factors the United States has already accumulated more than half the monetary gold in the world. Further payments in gold only embarrass her while reducing the monetary reserves of the rest of the world. It should be emphasised that the unbalanced position of the United States has been due to basic economic facts rather than to deliberate policies, but her present policies have not succeeded in restoring

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her former prosperity, and its restoration seems to depend on securing a better adjustment of her economic exchanges with the rest of the world. The present Administration has done something to reduce excessive tariffs by means of its trade agreements; but its powers were limited, and in using them the American negotiators had always to take account of their political critics and to obtain equivalent concessions for United States exports. Thus the net effect of the trade agreements on the United States balance of payments is inconsiderable, and there seems little possibility of further substantial progress by this method.

It might be possible to do more in the financial field, where the wisdom of the present Administration's policy has been more questionable. The deliberate depreciation of the dollar brought no real benefit to the United States and created great disturbance to the currency system of the world. If international trade is to be restored to its old level, we must eventually get back to an international system of free and stable currencies, on some modified gold standard basis; and the United States could do much to facilitate the process by re-lending at a very low rate of interest, for the purpose of currency stabilisation, part of her excess gold reserves, which are now lying useless. But it would be essential, for the success of any such measure, that the dollar exchange should be fixed, not in accordance with the desires of the United States exporters, but in accordance with the realities of the situation. The readjustments necessary would be made easier if the United States authorities allowed their gold holdings to have their full effect on domestic prices. Indeed, probably the most effective means of improving the situation would be such a rise in American prices.

But Europe must not be content to leave the sole responsibility to the United States. Without American co-operation it will be no easy task to raise the general level of world prosperity, but the countries of Europe could do a great deal to help one another, even if the

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United States proves not to be in a position radically to alter her policies. Perhaps the time may come when Monsieur Briand's idea of a European Union in the economic field can be revived; for it may be easier for the United States to contribute to the revival of trade by agreeing to some inter-European preferential arrangement than in any other way.

The British Empire can certainly help by revising, as and when conditions justify it, any preferences that are shown to create substantial prejudice to the economy of foreign countries. For example, the United Kingdom might consider the reduction of tariffs on some of the manufactures which it used to take from Europe, thereby providing the continental countries with more sterling for the purchase of Empire raw materials. But the United Kingdom cannot afford to do this unless the Dominions and India will help by allowing United Kingdom products ample preferences without seeking to drive too hard a preferential bargain for their own products in the United Kingdom market. What they are entitled to ask for is a limit to the uneconomic subsidisation and protection of British agriculture. A general revival of world trade will benefit the Empire countries more than they stand to lose by renouncing special privileges.

The principal countries in Europe all have contributions that they can make, and must make if the balance is to be a fair one. Germany and Italy can help by relaxing their present uneconomic plans for self-sufficiency and by allowing their people to consume more of the natural products of oversea countries, which will then be able to offer improved markets for German and Italian exports. France can help by opening her markets more freely to imports and by cutting out the network of quotas and other restrictions which prevent her purchasing power from flowing through the veins of international trade. In each case, the action proposed would not involve sacrifices but would be economically advantageous to the countries concerned.

A HOUSE DIVIDED AGAINST ITSELF

V. A HOUSE DIVIDED AGAINST ITSELF

OF course, these various measures cannot be contemplated without a radical change in the present political atmosphere. So long as every country in the world is straining all its resources to arm against potential aggression, economic appeasement is not likely to be given much thought. But have we not all become to some extent victims of the intensive propaganda based on the opposing ideologies of National-Socialism and democracy?

If Europe is not to destroy itself in a suicidal war, which can benefit no country, some *modus vivendi* must be effected between these opposing ideologies. The democratic States claim that their political system aims at the improvement of the standard of life of their people. Their standards of consumption are certainly higher than in the totalitarian States. But is the standard of life to be judged by purely material factors? Are there not moral factors which we are too apt to ignore? The attitude towards unemployment may be taken as an example. In Great Britain, unemployment is regarded as a necessary corollary of an industrial system; and to some extent this is no doubt true. We salve our consciences by paying the unemployed their insurance benefit or "unemployment assistance"; and we thereby preserve the standard of wage for the employed. But what is the toll of human wastage that this system involves? Is there not something to be said for a policy that puts work, and self-respect, above trade-union rates combined with unemployment?

The democratic States—to consider another aspect—are all suffering from declining population. Limitation of families is no doubt justified on the ground that it is better to bring up one or two children well than to produce large families which cannot be adequately supported. But is not the desire for material comfort on the part of the parents at least partly responsible? And is it not better

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for the parents to lead a more frugal life and have larger families? The use of leisure is another example. The people of the democracies are free to enjoy their leisure as they like; but should not their employers take more interest in providing them with sports and other outlets for their leisure than most of them do to-day? As for the housing problem, Herr Hitler aims at rebuilding whole cities, though as long as his present scale of military expenditure continues it can only be an aim; and if rebuilding cities is necessary in Germany it is far more necessary in France and England. There has not been sufficient recognition in other countries of the social evolution that has taken place in Italy and in Germany under their present Governments. It is the sense of social obligation on the part of the workman, and of social responsibility on the part of the employer and of the state, which is the moral driving-power behind the success of National-Socialism. However much one detests the political methods by which the system is applied, and the mediæval darkening of freedom that has accompanied it, there is a living idea here which the democratic States might well adopt and fit into their systems by more civilised methods.

The political relations between the two systems are more difficult to reconcile. Indeed, no progress is possible so long as the claims of the totalitarian States are based on economic fallacies and supported by threats of aggression. To such threats a firm negation has to be offered, whatever the cost. If, however, the discussions can be transferred from the field of force to that of reason, reconciliation should not be impossible. Any consideration of social policies should naturally lead to an examination of the financial and economic conditions in which the optimum results can be attained, and the question could then be considered how far the "claims" on each side are justified and could be met.

Behind all the political differences that exist, the economic problems of the world to-day are common problems;

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unemployment, housing, nutrition, and the rest. Experience has shown that no country can insulate its economy from the troubles of the rest of the world; every attempt to hoist ourselves up by our own bootstraps leads merely to some new maladjustment. Just as, within any community, wealth can be increased only by increasing production and not by sharing out the capital of the relatively rich, so, in the community of nations, permanent prosperity cannot be induced by attempting to reserve or restrict trade, but only by promoting a general expansion of trade, in which all will share. And the problem of unemployment, in particular, cannot be solved nationally; it is essential to link together national efforts by means of concerted economic and financial collaboration. The future of the continent with whose destinies those of Great Britain and the British Commonwealth are inextricably entangled depends on finding means of working together and of building up gradually—with due regard to national sentiment and national requirements—some sort of United States of Europe. Sooner or later, whether it be after a war or without a war, the nations of Europe must learn to live together in peace; is it not best that the problem should be faced at once?

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I. ANGLO-IRISH RELATIONS

IN his momentous speech on foreign policy, delivered at the annual dinner of the Royal Institute of International Affairs on June 29, Lord Halifax declared that the British people now realised that their safety was not diminished but immeasurably increased, by a free and friendly Ireland. This statement, obviously sincere if not entirely accurate, bears an unfortunate resemblance to Sir Edward Grey's reference to Ireland in August 1914 as "the one bright spot". To claim that Ireland is free so long as a large portion of her most historic province remains separate juridically from the remainder of the country as a member province of the United Kingdom seems to the great majority of Irishmen a contradiction in terms. In the same speech Lord Halifax reminded certain other countries that actions and not words were required as proof of good faith. Most Irishmen feel, rightly or wrongly, that so long as the British Government subsidises the Government of Northern Ireland and maintain a military garrison in that province they are actively preventing the possibility of Irish unity, and that their actions in Ireland are contrary to the democratic ideas which they voice and defend elsewhere. Mr. O'Donoghue, the Minister for Education, speaking at Kilkenny on June 2, said that the Irish people very naturally ask the question: why, if British policy can see its way to acquiesce in, or even to recommend or propose, territorial adjustments in the interests of British policy elsewhere, British statesmen cannot recognise that it will be in their own best interest as well as ours, to take steps to terminate the present dangerous situation in Ireland.

It is unfortunately true that to describe Ireland as friendly to Great Britain in any active sense is also inexact. No doubt most Irish people realise, if somewhat dimly, that our freedom and prosperity are inevitably dependent on the freedom and prosperity of Great Britain, and that we cannot ultimately remain neutral in a struggle which involves the fate of that country and of the British Commonwealth. It is also true that even the present Irish Government would certainly take active steps to prevent Ireland's being used as a base for an attack on Great Britain. But one should not forget that there remains a small, irreconcilable section of our people who have been long nurtured on hatred of England and who would undoubtedly seize any available opportunity to injure or destroy her power, whatever might be the result for themselves and their country. They believe also that England will always yield to violence what she will not concede to reason. Although this element, now represented by the so-called "Irish Republican Army", is relatively insignificant in numbers, it exercises a profound influence on people like Mr. De Valera, who, while realising the vital necessity for friendly relations between Ireland and England in the interests of both, are afraid to take any step that would give the extreme minority any chance to describe them as pro-English. It is for this reason that Mr. De Valera will not make those concessions to Ulster sentiment concerning the King without which any kind of free and friendly political relations with Northern Ireland are impossible. For the same reason he is constantly insisting that Ireland would remain neutral in the event of war.

Speaking in Dublin at a meeting of his party, Fianna Fail, on April 23, he said that he knew there were numbers of republicans who disliked the policy of association with the British Commonwealth for the purpose of external relations; but the Government had deliberately adopted it because they saw in it the best hope of securing a united Ireland. If it became clear that this particular method was not the way to secure unity the Government could get rid of it. Mr.

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De Valera also pointed out that if in the constitution he had described Ireland as the Irish Republic he would not have changed it one whit; in short, that we had a republic in effect. If and when our present constitution was extended to the whole country, it would be for the Irish people as a whole to decide our future relationship with Great Britain and the British Commonwealth. As regards neutrality, he pointed out that only the Irish Parliament could commit the Irish people to war. Referring to partition, he said that when Irish people heard talk of aggression in any part of the world they felt sore, because they knew there was a continued aggression in six Irish counties. The facts should be made known, because it was inconceivable that a small section of people could be permitted to be a source of bitterness and a cause of quarrels between the two peoples.

Speaking in the Dail on June 14, he referred again to our position in the event of war, and said that the maintenance of our trading relations with Great Britain was essential for the life of the nation. The Government wanted to have as strong a force as possible here in order to make it unprofitable for an enemy to interfere with us. Their aim, however, was to keep the country out of war if they could. These speeches illustrate very well his constant attempt to avoid displeasing the extreme element. He is in fact the prisoner of his republican past. Unfortunately this situation may well lead to national disruption if war comes and his Government is obliged by reasons of self-preservation to align this country with the British Commonwealth. In that event the violent reactions of the disgruntled terrorists may well be disastrous for Ireland. Ambiguity in politics is not far removed from dishonesty, and has like results.

In spite of its protestations, the Irish Government continues to make some preparation for a possible war. Mr. Aiken, the Minister for Defence, in a series of radio broadcasts, has appealed for recruits to join the volunteer force and the regular army. How far these appeals have been answered is not made known, but there does not seem to

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have been a rush of recruits, and the Government may eventually have to consider the introduction of some form of compulsory service. Mr. Aiken said that if we were wise we would do our utmost to man our little corner of Europe, so important strategically and economically, with Irish soldiers, lest it be filled with others. A Bill has also been introduced which requires local authorities in our principal cities and urban areas, on penalty of dissolution, to prepare and submit air-raid precaution schemes for the approval of the Minister of Defence. The Bill has been criticised by the Opposition on the ground that it will impose heavy extra charges on the areas concerned without real necessity. Public opinion is inclined to consider these precautions superfluous, believing that distance and relative insignificance make it unlikely that we should have to suffer an air attack when there are so many more important targets available between us and the continent.

Speaking in the Senate on July 11, Mr. McEntee, the Minister for Finance, expressed the Government's views on defence. He said that during the Great War, had it not been for Irish supplies of meat, Great Britain had at one time looked as if she would be reduced by starvation. Accordingly, Britain's enemies in the next war might think it better to attack Dublin, Cork, Waterford or Wexford than London or Liverpool, which would be cities of perfect defence. Earlier in the same debate, Mr. Desmond Fitzgerald, who was Minister for Defence in the Cosgrave Government, had argued that the Government were wasting money in their defence programme. He said that he had been offered the Irish treaty ports by the British Government in 1928, but had refused them. He thought that the present Government had endangered our neutrality by accepting the responsibility for defending these ports. Another point of view was voiced by Mr. Douglas, who held that we could not afford the money for adequate defence measures, and that we should take our courage in our hands and declare ourselves a nation of non-resisters.

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Meanwhile Miss Mary MacSwiney reflects the rage of extreme republicans in her violent denunciations of Mr. De Valera, whom she accuses of being completely untrustworthy and of having falsified every national promise he made in 1926. She protests that, whereas General Hertzog was able to get an assurance from the British Government that South African nationals in England would not be conscribed, Mr. De Valera could get no similar assurance for Irish citizens. In a statement issued to the press on May 18, Mr. De Valera, apropos of conscription in Great Britain, stated that he had protested to the British Government against the assumption that the nationality of Irish citizens could in any way be determined by British law. The British attitude in this matter was, he said, at variance with international usage and the Hague Conventions. The position of Ireland was that of a mother country, and its relations with Great Britain were entirely different from those of the Dominions. It will be remembered that Mr. De Valera's Government claims that Irish citizens are not British subjects, a claim which has no validity in United Kingdom law.

II. THE I.R.A. AND PARTITION

IT is an unfortunate fact that no member of the Government had the courage to say one word, of his own initiative, in condemnation of the abominable campaign of explosive outrage in England.* The outrages are of course condemned by every right-thinking person in Ireland, but save for some outspoken articles in the *Irish Times* this condemnation has not been particularly vocal. It shows of course a complete misjudgement of British character to imagine that such criminal and stupid attempts to terrorise the people of England can have any effect save to perpetuate the division of Ireland, against which they are apparently

* See THE ROUND TABLE, No. 114, March 1939, p. 368, and No. 115, June 1939, pp. 591 and 619; also below, p. 821.

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meant to serve as a protest; and our enemies could hardly have devised a better method of discrediting us.

Another aspect of these crimes has been dealt with by Cardinal Hinsley, who recently stated that Catholics who became members of secret societies which plot against Church or state incur excommunication and cannot be admitted to the sacraments. On July 21 it was stated that several of those serving sentences at Dartmoor for taking part in these outrages had been informed by the Roman Catholic chaplain, in accordance with the pronouncements of the English Catholic hierarchy, that they would not be admitted to the sacraments unless they repented and severed their association with the "I.R.A."

It is noticeable that many of the Irishmen convicted of complicity in the outrages come from Belfast, where extreme doctrines and methods are naturally prevalent. On May 29 a number of gas masks were collected by members of the "I.R.A." from houses in the Nationalist areas of Belfast and subsequently burnt in the streets. A secret radio station in the locality afterwards announced the fact, stating that the gas masks had been supplied by England, "the old-time enemy of Ireland, as imperial propaganda to the people of Belfast". This broadcast, which purported to come from the Brigade Headquarters of the Belfast "I.R.A.", also announced that "the war against England was almost won," and that under the direction of the Government of the Republic the nation was again on the march to victory. Another broadcast, apparently from the same transmitter, on July 7 declared that "in the event of Britain's going to war, we will see to it that no Irishman joins her armies; that no food from here reaches her civilians; that there shall be insecurity for her ships on our seas, and that the army she will be compelled to keep here will be destroyed. We will see that such a fury of destruction descends on every English city as will leave it in ruins. We have the power and will do all that is necessary to achieve our aims." It is impossible to reason with the

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fanatical mentality indicated by such announcements, which, in Belfast at all events, are the fruit of deep-seated political and religious hatreds.

On July 26 Mr. Frank MacDermot courageously moved a motion in the Senate calling for an explicit statement of the Government's attitude towards these outrages. He felt it unfair to the Irish people, he said, that the Government should not give them a lead in this matter. He believed that Mr. De Valera totally disapproved of them, but it was time to proclaim that disapproval in unmistakable language. It was not by English jail sentences but by Irish public opinion that he would wish to see these bombing activities repressed. Mr. De Valera's reply was as usual full of qualifications and reservations. He began by claiming that there was no necessity for the motion, as the Government's attitude had already been made clear, which is far from being true. Whilst admitting that his policy had received a setback, he went on to say that what he would have liked to do was "to appeal to the people who think they are furthering national interests by the present activities to ask them how they can hope to get a decision by methods of that kind. If they were thinking militarily, surely they must have thought of a decision, and the only decision they could get by that method was an adverse decision." That method, he believed, was completely wrong, but he also believed that a number of them were honestly animated by a desire to secure Irish liberty. His speech taken as a whole suggested that his only criticism of the outrages was that they were not likely to be successful, and that he was more concerned with the consequent injury to his policy than with condemning the diabolical conduct of those concerned.

As Mr. De Valera was making this characteristic apologia for their perpetrators, two serious explosions occurred in London railway stations, causing injury to sixteen people, one of whom subsequently died. The British House of Commons, on the same day, passed through all its stages a Bill which gives the Home Secretary drastic powers of

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deporting persons suspected of terrorist crime who have not resided in Great Britain for more than twenty years. On July 24, during the debate on the second reading of this measure, Sir Samuel Hoare disclosed that a plan had been discovered providing for wholesale sabotage in England and that this campaign of outrage was closely watched and stimulated by foreign organisations. The police, he stated, had information that this campaign was now likely to become more ruthless and careless of human life. All reasonable opinion in Ireland agrees that the British Government could take no other course, and that it is fully justified under present conditions in deporting any Irish citizens suspected of criminal activities.

If the Irish Government did not spontaneously denounce this violence, it has at least done something to put its own house in order and to restore its authority. On June 23, acting in accordance with the recently enacted Offences against the State Act,* the Government issued an order declaring the "Irish Republican Army" to be an illegal organisation. Simultaneously it was announced that the proposed republican parade to the grave of Wolfe Tone at Bodinstown on Sunday, June 25, had been prohibited under the new Act by the Commissioner of the Civic Guard. This is the second occasion on which the "I.R.A." has been banned by the present Government, the first being on June 18, 1936, when the Government acted under powers contained in the old constitution. The measures taken by the authorities to prevent the proposed demonstration proved completely effective. On the same day, however, a party of fully armed soldiers and two armoured cars had to be sent to Fermoy, County Cork, to quell a disturbance after a football match in which several Civic Guards, who attempted to direct a procession, were savagely attacked by the crowd and sustained injuries.

In Ulster on July 12 the usual spate of violent and depressing oratory was released in commemoration of the

* See THE ROUND TABLE, No. 115, June 1939, p. 593.

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Battle of the Boyne. The slogan for the day was "Hands off Ulster." Radio Eireann, the Dublin broadcasting station, scored neatly on that historic anniversary by giving a special programme of Ulster music and a military appreciation of King William's famous victory. A few days later our Minister for Justice, Mr. Rutledge, gained a popular victory of another kind by winning the Ulster Derby at Down Royal amidst the plaudits of Lord Craigavon and other members of the Northern Parliament. Sport is a great solvent of Irish differences. The promoters of the Irish Association, formed last January to promote better relations between the Irish people generally in both North and South, have held two successful meetings in Belfast and Dublin. It must be admitted that under present conditions their task may well seem impossible, but they apparently feel, not entirely without reason, that as compared with the fundamental rifts in other European nations the differences to be adjusted in Ireland are relatively small, provided they are approached in the proper spirit. On both sides of the Irish border there is a common love of freedom and country and a similar approach to the main problems of life and thought, which are the things that really matter. As Lord Charlemont, the President of the Association, pointed out at the Dublin meeting, there is a growing realisation in Ireland that no permanent good can be achieved by violence in either speech or action. Until quite lately Lord Charlemont was Minister for Education in Northern Ireland. The truth is that before any progress can be made towards Irish unity both sides in the Irish controversy must learn to understand and respect the views of the other, and to realise the causes of division, religious, political, and economic. There can be no satisfactory settlement without comprehension and compromise.

As the *New Northman*, which is the lively journal of the Belfast university students, has recently pointed out, while no one can deny the existence of cultural and economic relations between Northern Ireland and Great Britain, to

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assert that the two are so mutually interdependent as to allow the rest of Ireland to be excluded is not only untrue, but ridiculous. For better or for worse, Ireland as a whole must eventually share a common destiny, and it is consoling to find that those who will be the Ulster citizens of tomorrow realise that they are also Irishmen. To have attempted, as some wished, to conscript the youth of Ulster would only have led to civil war without benefit to Ulster, Ireland, or Great Britain. At this crucial moment Ireland can unite only on the basis of "an agreement to differ" and the sooner it is concluded the better.

III. THE BUDGET AND AFTER

MR. MCENTEE'S eighth budget, which he introduced in the Dail on May 10, was a nasty shock for Irish taxpayers, but, in so far as it confronted them with the realities of our financial position, it may well be salutary. Mr. McIntee made no attempt to conceal the unpleasant facts. Virtually every national service has increased in cost during the past financial year and will show a further increase in 1939-40. As a result of increased expenditure there was a deficit of £527,500 on last year's budget. During the eight years in which the Government has been in office the deadweight national debt has increased from £31,000,000 to £51,000,000. In the same period the cost of supply services has increased by £6,500,000, or by £8,250,000 if one allows for the fact that in the first year of the period they included payments to the British Government, amounting to £1,750,000, which were afterwards disputed and discontinued. This is certainly not a bad record for a party which in Opposition never tired of accusing its predecessors of profligacy, and which promised to reduce expenditure by £2,000,000 when elected to office. The present budget provides for an expenditure of £35,516,000, and as compared with last year's figures shows an increase of £2,000,000 on the cost of supply services

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alone. Taxation at existing rates would yield only £31,124,000. To meet the difference of £4,392,000, Mr. McEntee allowed £1,000,000 for over-estimation, took £150,000 from the Road Fund, proposed to collect £68,000 from local authorities in respect of arrears of contributions towards unemployment assistance, and to borrow £2,005,000 to cover certain services which he claimed to be of a capital nature, thus leaving a balance of over £1,000,000 to be found by new taxation. This falls almost entirely on the well-to-do.

The income tax is raised by one shilling to 5s. 6d in the £, surtax increased by 10 per cent. on incomes between £3,000 and £8,000 and by 15 per cent. on those over £8,000, whilst twopence a gallon is placed on petrol and eightpence a pound on tobacco. As there are only about two thousand surtax payers in the country, they may be regarded as fair game. The personal allowance for income tax has been reduced and the earned-income allowance increased. Mr. McEntee claimed that there was no merit in devising new indirect taxes for the sake of novelty or as experiments. They involved, he said, administrative difficulties and expense, were uncertain in their yield and incidence, and often placed the purchaser at the mercy of the unscrupulous middleman.

Mr. McEntee's apologia for the increase in taxation and expenditure was that economy was a virtue often preached but seldom practised. He pointed out that, whilst all parties were clamouring for additional expenditure in various directions, scarcely a voice was raised to advocate greater care or thrift in dealing with public moneys. The Dail, he said, could not have it both ways. Either they must cut the social services in order to reduce expenditure, or they must maintain the services and increase taxation. This year's budget, he declared in conclusion, had been prepared at a time of unusual difficulty. The European tension had increased expenditure and lowered revenue. Stringent and straitened as our position was, we could

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endure it so long as peace was maintained, but if war came our difficulties would be intensified beyond measure and we should have to tax where we could and what we could. Our standards of living, our whole mode of existence, and our very philosophy of life, would be changed radically and eventually for the worse. For that reason, he urged, we ought to support with all our heart and will those whose efforts might defer war.

Mr. Cosgrave, on behalf of the principal Opposition party, Fine Gael, said that, unless they could increase the national income by at least one-third, this budget was going to make further inroads into capital and reduce the nation's sterling balances or its credit. After its size, the worst feature of the budget was that it did not balance. There was no use in setting up bodies like the Banking Commission* and then ignoring their reports. The country, he said, was faced in this budget with a bill beyond its capacity to bear. The alternative was to throw out the Government.

During the debate on the Finance Bill in the Senate, grave views were expressed regarding the financial stability of the country. Sir John Keane said that the only remedy was to embark on a scheme of drastic retrenchment in all departments, a policy implicit in the report of the Banking Commission. It was the Government's responsibility to face the situation. Mr. Frank MacDermot warned those who would welcome a war and the downfall of Great Britain that it would also mean the downfall of any prosperity that we might hope to possess. Professor Joseph Johnston, who represents Dublin university and is one of our leading economists, pointed out that, while in 1929-30 taxation represented only one-seventh of our national income, it now represented one-fifth. Unemployment was breaking out, he said, even in some of the protected industries, and the number of people engaged in agriculture had diminished by 17,000 in one year. The real cause of our financial stringency was the Government's economic

* See THE ROUND TABLE, No. 113, December 1938, pp. 120-124.

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policy. In 1929 the country had imported £33,000,000 worth of industrial goods, whereas in 1936 it had imported only £16,000,000 worth. This drop of £17,000,000 was offset by an increase of only £8,500,000 in our home industrial output. Professor Johnston suggested that the destruction of at least three of the four beet-sugar factories would bring in a revenue of £750,000 without increasing the price of sugar to the consumer.

Mr. McEntee, replying to these criticisms, deprecated the use of the words "serious" and "grave" concerning the present financial position of the country, but he admitted that the cry for credit from this and that section of the community was fast becoming a cry for confiscation and expropriation. If, he said, the banks were compelled to yield to such demands, the small man who had put his money in them for safe keeping would start taking it out to make sure that no one was going to use it but himself. He also confessed that he would like to see expenditure on unproductive services reduced. His real difficulty, of course, is that all this increased expenditure has not been met by an increase in production. Whilst our direct taxation has been brought up to the British level, nothing has been done to bring indirect taxation down to that level.

The economic position was again debated in the Dail on July 7, when Mr. James Dillon moved a resolution urging the Government to put into effect the majority report of the Banking Commission by reducing direct and indirect taxation, restricting the creation of deadweight public debt, and stimulating profitable production. He offered the Government the co-operation and support of the Fine Gael party in such a policy. The time had passed, he said, for covering up the dangers that confronted the country. The reply of the Government, as voiced by Mr. De Valera and Mr. McEntee, was in effect that they were carefully considering the report of the Banking Commission, but that the economic position had greatly improved since it was presented, and that it contained nothing to justify the

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abandonment of their industrial policy. As compared with other countries we were, they alleged, in a sound financial position. On the whole, however, the debate revealed little real divergence in principle or practice between the two main parties. They are both opposed to financial experiments and realise that the link with sterling is essential under present conditions. The Labour party, who are not likely to attain office, and therefore lack a sense of responsibility, put forward an amendment which claimed that we had only to use our entire national resources to foster increased production and so banish unemployment and poverty—in other words, that we should resort to inflation on a grandiose scale. No serious arguments, however, were put forward to justify such a course.

The average voter is inclined to say "a plague o' both your houses," as appears from the recent by-election in Dublin City South, where only 36,238 voters went to the poll out of a possible total of 83,435. The seat was won by Mr. J. McCann, a Dublin business man, who was the Government party candidate, by a majority of 4,182, but, whilst the Fine Gael vote showed no reduction as compared with the 1938 election, the Fianna Fail vote showed a drop of over 10,000. During the election Mr. Lemass, the Minister for Industry and Commerce, said that a substantial fall in their party vote would be tantamount to a defeat. It may be surmised that all the extreme and many moderate supporters of the Government abstained from voting. It would be foolish, nevertheless, to regard the result as symptomatic of anything more than general apathy. More important is the election of Mrs. Tom Clarke as Lord Mayor of Dublin on the retirement, after nine years' continuous service in that high office, of Alderman Alfred Byrne, one of our most popular public figures. Mrs. Clarke is the widow of Tom Clarke, who was a member of the old Fenian organisation and a signatory of the Republican Proclamation in 1916. He was amongst those executed immediately after the rebellion. Mrs. Clarke belongs to the Left wing of Mr.

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De Valera's party, and has not hesitated to criticise his policy or its moderation. One of her first actions as Lord Mayor was to refuse to wear the great chain of office because it had been a gift from King William. Although she was elected only by Alderman Byrne's casting vote her election is a straw which shows how the wind blows.

Ireland,

August 1939.

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DOCUMENTS

1. *Extracts from the speech of Lord Halifax, Secretary of State for Foreign Affairs, at the annual dinner of the Royal Institute of International Affairs, June 29, 1939.*

National Unity

We have assumed obligations, and are preparing to assume more, with full understanding of their causes and with full understanding of their consequences. We know that, if the security and independence of other countries are to disappear, our own security and our own independence will be gravely threatened. We know that, if international law and order is to be preserved, we must be prepared to fight in its defence.

In the past we have always stood out against the attempt of any single Power to dominate Europe at the expense of the liberties of other nations, and British policy is, therefore, only following the inevitable line of its own history, if such an attempt were to be made again. . . . I believe that at no time since the war has there been such national unity on the main essentials of our foreign policy as to-day, and that with this spirit of unity goes a deep and wide-spread determination to make that policy effective. But I believe too that among all classes of our people who, in virtue of their common citizenship, are being called upon to defend their country, and the causes for which it stands, there is an increasing desire to look beyond the immediate present, and to see before them some goal for which they would willingly sacrifice their leisure and, if need be, their lives. . . .

Aggression and Encirclement

Our first resolve is to stop aggression. . . . For that reason and for that reason alone we have joined with other nations to meet a common danger. These arrangements we all know, and the world knows, have no purpose other than defence. They mean what they say—no more and no less. But they have been denounced as aiming at the isolation—or, as it is called, the encirclement—of Germany and of Italy, and as designed to prevent them from acquiring the living space necessary for their national existence. . . .

Germany is isolating herself, and is doing it most successfully and completely. She is isolating herself from other countries economically by her policy of autarky; she is isolating herself politically by

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a policy that causes constant anxiety to other nations, and culture by her policy of racialism. If you deliberately isolate yourself from others you can blame nobody but yourself, and, so long as that isolation continues, the inevitable consequences of it are bound to become stronger and more marked. . . .

Living Space

I come next to *Lebensraum*. This word, of which we have not heard the last, needs to be fairly and carefully examined. Every developed community is, of course, faced with the vital problem of living space. But the problem is not solved simply by acquiring more territory. That may, indeed, only make the problem more acute. It can only be solved by wise ordering of the affairs of a country at home, and by adjusting and improving its relations with other countries abroad. For nations expand their wealth, and raise the standard of living of their people, by gaining the confidence of their neighbours and thus facilitating the flow of goods between them. The very opposite is likely to be the consequence of action by one nation to suppress the independent existence of her smaller and weaker neighbours. And if *Lebensraum* is to be applied in that sense we reject it and must resist its application. . . .

Economically the world is far too closely knit together for any one country to hope to profit itself at the expense of its neighbours and no more than any other country can Germany hope to solve its economic problems in isolation. It is no doubt impossible at present for us to foresee the day when all trade everywhere will be completely free. But it is possible to make many arrangements, given the opportunity, which would greatly enlarge the area of freedom, and through co-operation—and we, for our part, are ready to co-operate—there is ample scope for extending to all nations the opportunity of a larger economic life, with all that this means, which is implied in the term *Lebensraum*. . . .

It is idle to cry peace where there is no peace, or to pretend to reach a settlement unless it can be guaranteed by the reduction of warlike preparations, and by the assured recognition of every nation's right to the free enjoyment of its independence. At this moment the doctrine of force bars the way to settlement, and fills the world with envy, hatred, malice and all uncharitableness. But if the doctrine of force were once abandoned, so that the fear of war that stalks the world were lifted, all outstanding questions would become easier to solve. If all the effort which is now devoted to the senseless multiplication of armaments, with the consequent increase of insecurity and distrust, were to be applied to the common peaceful development of resources, the peoples of the world would soon find an incentive to work together for the common good; they would realise that their interests do not conflict and that progress and well-being depend upon a community of aim and effort. The nations would then be in a position to discuss with real promise of success both political grievances and economic difficulties, whether in the international or colonial field.

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The Colonial Problem

This brings me to say something about the principles of our colonial administration. . . . We recognise, as the United States have recognised, that self-government should be the ultimate goal of colonial policy, a goal which is near or distant according to the capacity of the peoples concerned to manage their own affairs. In one of your own studies, *The Colonial Problem*, the type of research which enhances the reputation of Chatham House, you have considered the question whether colonies pay. You drew attention to the benefits of cheap imports which the consumers of a country possessing colonies obtain as the result of the relatively low cost of production of certain commodities in colonial territories. But under an international system under which the present trade barriers were to a great extent abolished, these benefits, already shared as they are to a considerable extent by many countries not possessing colonies, would be shared still more widely. On all sides there could be more free and more ready access to markets and raw materials of the world; wider channels of trade down which would flow the goods which nations require to buy and sell. Such are some of the possibilities within everybody's reach. . . .

Can we not look forward to a time when there may be agreement on common methods and aims of colonial development, which may ensure not only that the universally acknowledged purpose of colonial administration will be to help their inhabitants steadily to raise their level of life, but also that colonial territories may make a growing contribution to the world's resources? On such an agreed foundation of purpose we hope that others might be prepared with us to make their contribution to a better world. If so, I have no doubt that in the conduct of our colonial administration we should be ready to go far upon the economic side, as we have already done on the political side, in making wider application of the principles which now obtain in the mandated territories, including, on terms of reciprocity, that of the Open Door.

A New European Order

Whatever may be the difficulties of the colonial problem, or of any other, I would not despair of finding ways of settlement, once everybody has got the will to settle. But unless all countries do in fact desire a settlement, discussions will do more harm than good. It is impossible to negotiate with a country the leaders of which brand a friendly country as thieves and blackmailers, and indulge in daily monstrous slanders on British policy in all parts of the world. But if that spirit gave way to something different, his Majesty's Government would be ready to pool their best thought with others in order to end the present state of political and economic insecurity, and if we could get so far . . . our next task would be the reconstruction of the international order on a broader and firmer foundation. . . . An examination of the history of the Covenant may perhaps disclose that some of its obligations were too loose and others too rigid. It has been suggested, for instance, that

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some system of specific regional guarantees for the preservation of the peace would be more effective than the indefinite but universal obligations of Articles 10 and 16, and it is not impossible that the grouping of the Powers as it exists to-day, instead of dividing Europe, might be so moulded as to become the embryo of a better European system. That is one side of the problem. But it is not enough to devise measures for preventing the use of force to change the *status quo*, unless there is also machinery for bringing about peaceful change. For a living and changing world can never be held in iron clamps, and any such attempt is the high road to disaster. . . .

To-day, when the European nations, forgetful of their common civilisation, are arming to the teeth, it is more important than ever that we should remind ourselves of the essential unity of European civilisation. European minds meet across political frontiers. With the same background of knowledge, with the same heritage of culture, they study the same problems; the work of the great masters of science, of literature and of art is the common property of all peoples; and thinkers in every land exchange knowledge on equal and friendly terms. Truly is a divided Europe a house divided against itself and our foreign policy must, therefore, constantly bear in mind the immediate present and the more distant future, the steps we are now taking and the goal to which they are meant to lead. . . .

The Dual Policy

British policy rests on twin foundations of purpose. One is determination to resist force. The other is our recognition of the world's desire to get on with the constructive work of building peace. If we could once be satisfied that the intentions of others were the same as our own, and that we all really wanted peaceful solutions—then, I say here definitely, we could discuss the problems that are to-day causing the world anxiety. In such a new atmosphere we could examine the colonial problem, the problem of raw materials, trade barriers, the issue of *Lebensraum*, the limitation of armaments, and any other issue that affects the lives of all European citizens.

But this is not the position which we face to-day. The threat of military force is holding the world to ransom, and our immediate task is—and here I end as I began—to resist aggression. I would emphasise that to-night with all the strength at my command, so that nobody may misunderstand it. And if we are ever to succeed in removing misunderstanding and reaching a settlement which the world can trust, it must be upon some basis more substantial than verbal undertakings. . . . There can be no firm bargains on the basis of giving something concrete in return for mere assurances. None of us in these days can see very far ahead in the world in which we live, but we can and we must always be sure of the general direction in which we wish to travel. Let us, therefore, be very sure that whether or not we are to preserve for ourselves and for others the things we hold dear depends in the last resort upon ourselves, upon the strength of the personal faith of each one of us, and upon our resolution to maintain it.

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2. *Statement on Danzig by Mr. Neville Chamberlain, Prime Minister, in the House of Commons, July 10, 1939.*

. . . Racially Danzig is, almost wholly, a German city; but the prosperity of its inhabitants depends to a very large extent upon Polish trade. The Vistula is Poland's only waterway to the Baltic, and the port at its mouth is therefore of vital strategic and economic importance to her. Another Power established in Danzig could, if it so desired, block Poland's access to the sea, and so exert an economic and military stranglehold upon her.

Those who were responsible for framing the present statute of the Free City were fully conscious of these facts and did their best to make provision accordingly. Moreover there is no question of any oppression of the German population in Danzig. On the contrary, the administration of the Free City is in German hands, and the only restrictions imposed upon it are not of a kind to curtail the liberties of its citizens. The present settlement, though it may be capable of improvement, cannot in itself be regarded as basically unjust or illogical.

The maintenance of the *status quo* had in fact been guaranteed by the German Chancellor himself up to 1944 by the 10-year Treaty which he had concluded with Marshal Pilsudski. Up till last March Germany seems to have felt that, while the position of Danzig might ultimately require revision, the question was neither urgent nor likely to lead to a serious dispute. . . .

Recent occurrences in Danzig have inevitably given rise to fears that it is intended to settle her future status by unilateral action, organised by surreptitious methods, thus presenting Poland and other Powers with a *fait accompli*.

In such circumstances any action taken by Poland to restore the situation would, it is suggested, be represented as an act of aggression on her part, and if her action were supported by other Powers they would be accused of aiding and abetting her in the use of force.

If the sequence of events should in fact be such as is contemplated on this hypothesis, members will realise from what I have said earlier that the issue could not be considered as a purely local matter involving the rights and liberties of the Danzigers, which incidentally are in no way threatened, but would at once raise graver issues affecting Polish national existence and independence. We have guaranteed to give our assistance to Poland in the case of a clear threat to her independence, which she considers it vital to resist with her national forces, and we are firmly resolved to carry out this undertaking.

I have said that while the present settlement is neither basically unjust nor illogical, it may be capable of improvement. It may be that in a clearer atmosphere possible improvement could be discussed. Indeed, Colonel Beck has himself said in his speech on May 5 that if the Government of the Reich is guided by two conditions—namely, peaceful intentions and peaceful methods of procedure—all conversations are possible. . . .

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3. *Formula agreed upon with the Japanese Government and published on July 24, 1939, in order to clear the way for discussions on the situation at Tientsin.*

His Majesty's Government in the United Kingdom fully recognise the actual situation in China, where hostilities on a large scale are in progress, and note that, as long as that state of affairs continues to exist, the Japanese forces in China have special requirements for the purpose of safeguarding their own security and maintaining public order in regions under their control, and that they have to suppress or remove any such causes or acts as will obstruct them or benefit their enemy.

His Majesty's Government have no intention of countenancing any act or measures prejudicial to the attainment of the above-mentioned objects by Japanese forces, and they will take this opportunity to confirm their policy in this respect by making it plain to British authorities and British nationals in China that they should refrain from such acts and measures.

GREAT BRITAIN

I. THE PARLIAMENTARY SESSION

PARLIAMENTARY time in this season of the year is always taken up very largely by financial business. Apart from this, the latter part of the session has been fully occupied, first with a number of measures of economic reorganisation, and secondly with measures designed to strengthen our civil and military defences against an impending crisis.

On the side of public finance a number of changes have been made since the budget. Against considerable pressure, the Chancellor refused to alter his decision to increase by 10s. per standard horse-power the tax on motor cars, but he succumbed to the antagonism expressed to another of his budgetary changes. The tax on cinematograph film was abandoned when it proved impossible to find a formula that would leave the body of the tax intact while saving it from handicapping the struggling British film industry. On the other hand, a new tax was introduced into the Finance Bill, this time under pressure from the Left. In announcing the proposal to introduce compulsory military service, the Prime Minister had promised to take further steps to limit the profits of firms engaged on the rearmament programme. In fulfilment of this pledge, an Arms Profits Duty, now familiarly known as A.P.D., was introduced by way of amendment to the Finance Bill. It would appropriate for the state three-fifths of the profits earned by any concern executing, in one year, extra state orders worth £200,000. The tax would apply to profits earned during the next three years. The Chancellor of the Exchequer declared that the new

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Ministry of Supply had been given drastic powers to prevent abnormal profits; the duty was therefore to be regarded as a supplementary measure, and the Chancellor himself as "a long-stop for what escaped the prehensile hands of the Minister of Supply". Sub-contractors would be included, provided that they had a total turnover of £200,000 a year from all their work being done directly or indirectly for the Government under the rearmament programme.

There are inevitably many anomalies in such an unusual tax, applied not for economic or financial but for political purposes. One of the more obvious, in its original form, was the omission of the supply of foodstuffs from the trades liable to the tax. This was modified in face of parliamentary criticism, and profits on food supplied for military or kindred purposes will be taxed along with the profits of firms making guns or battleships.

The Chancellor's difficulties have been increased by a still further acceleration of defence plans. In a statement on July 13, he explained that the supplementary defence estimates, issued since the budget, would bring the nation's total arms expenditure during the financial year 1939-40 to £730 million—a total that has since had to be raised still further. This figure was £150 million more than had been provided in the budget statement for defence purposes. He had then announced that £250 million of the total would be raised out of taxes, and the rest by loan. The Chancellor now proposed to leave the amount to be raised out of taxes at the same figure, and to borrow on treasury bills to cover such portion of the rest as was not being raised under the Defence Loans Act. This means that the total of government borrowing in the current financial year will be approximately £500 million, a sum in excess of the usual estimates for the normal annual savings of the people. Apart from the defence supplementary estimates, Sir John Simon announced that various of the civil departments would require £14 million more

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than they had estimated before the budget. He had allowed for £5 million of such supplementaries in his budget estimates, and the rest would be met out of savings on the original votes. Undoubtedly the Chancellor has reason to look forward to a certain buoyancy of revenue as a by-product of the large-scale government expenditure, but a heavy burden of unproductive borrowing is bound to put a heavy strain on the economic stability of the country.*

The economic measures considered by Parliament include an agricultural development Bill, embodying the Government's policy of "price insurance" (another term for price stabilisation by means of subsidies) in regard to oats, barley and sheep; a Bill for the compulsory rationalisation of the cotton industry on lines accepted by Lancashire after years of discussion; a Milk Bill giving further government financial assistance in respect of cheap milk for children and mothers, bonuses to farmers producing a high-quality milk, and "price insurance" on milk diverted from the liquid milk market to the butter and cheese industries; and a Bill amalgamating Imperial Airways and British Airways into a single British international air-transport corporation.

The Government also had to take up parliamentary time with an urgent measure to control terrorist activities by Irish republican sympathisers.† The list of explosive outrages culminated in the blowing up of cloakrooms at two London railway stations on July 26, the very day on which the Prevention of Violence (Temporary Provisions) Bill was being considered and passed by the House of Commons. Although numbers of men and women continued to be caught and convicted of crimes in connection with the terrorist campaign, it had already become manifest that the ordinary powers of the peacetime law were insufficient to deal with the menace. The

* See below, p. 828.

† See THE ROUND TABLE, No. 115, June 1939, p. 619; and above, p. 802.

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new Bill, which gives the police special powers of arrest, examination or expulsion from the country of all persons suspected of complicity or intended complicity in I.R.A. terrorism, was introduced, in the words of its preamble, in order to "prevent the commission in Great Britain of further acts of violence designed to influence public opinion or government policy with regard to Irish affairs". It may be said with assurance, and not merely as a piece of bombast, that the idea of amending British policy towards Ireland in response to these dangerous and childish exploits has never entered the head of the mass of Englishmen, who have treated the whole affair as a problem in criminology and public safety rather than political persuasion.

The new Act is applicable to all persons who have not normally resided in Great Britain for the past twenty years; the power taken to expel British subjects, and even citizens of the United Kingdom who normally reside in Northern Ireland, has been pounced upon by Irish republican propaganda as evidence that the Government has been obliged to acknowledge the unity of Ireland and its separation as a nation from Great Britain and the British Empire. No such interpretation can, of course, be placed on the measure; on the other hand, it does not need propaganda to show that the existence of different legal nationalities, according to local law, in the different parts of the Commonwealth has been recognised for some years as a constitutional fact.

II. DEFENCE AND FOREIGN POLICY

THE third main class of measures with which Parliament has dealt concerns the organisation of our direct defences against the possibility of war. Four main measures have been considered. The first of them was the Civil Defence Bill,* establishing the rights and duties of employers and other classes in respect of the provision of

* See THE ROUND TABLE, No. 115, June 1939, p. 610.

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air-raid shelters; clarifying and extending the duties of local authorities; and otherwise bringing the legal aspects of A.R.P. up to date. The second measure in this class was the Bill setting up a Ministry of Supply. Although the new Ministry will not in peace time have control of the supply of munitions and material for the Air Ministry and the Admiralty, its powers are very wide. The Ministry will have authority to order that government contracts be given priority, to requisition output if difficulties should arise in obtaining such priority, to commandeer available storage facilities, to examine contractors' records and fix prices, and to require the protection of essential plant against air raids. Opposition arose from members who wanted to give the Ministry much wider powers, including control over the supply of war material to the navy and air force.

The third great defence Bill before Parliament was that setting up the new conscript force, known as the militia. The early indications that Labour opposition to this measure was slackening, in accordance with a realisation that the public as a whole approved of it, have been fulfilled in practice. The Trades Union Congress, at a special conference held at the end of May, approved by an overwhelming majority the policy recommended by its leaders of maintaining formal opposition to conscription, but of refusing to withdraw from co-operation with the Government in voluntary national service, or to take any industrial action against conscription. The Labour party, at its Whitsun conference, rejected by 1,670,000 votes to 286,000 a motion to resist—apparently by direct action—any form of conscription until a Government was in power which Labour could trust.

The first militiamen were called up in July, and an extremely encouraging feature of the episode, apart from the administrative smoothness with which it was carried through, was the unexpectedly high physical standard of the men called up. The number rejected was much lower

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than had been anticipated, with the result that the force is to that extent larger than the planned figure. The cost of the formation of the militia is reckoned at £30 million, apart from its later annual upkeep. Tribunals have been established for the consideration of conscientious objections. The number of men originally entered as having conscientious objection to serving in the militia was only 3,775, or only 1.7 per cent. of the 219,964 men called upon to register at the beginning of June. This is a significant figure may be taken as a measure of the extent to which the continued aggression of the totalitarian Powers has completely counteracted the wave of pacifism that spread over Great Britain a few years ago.

The last of the great batch of defensive legislation was the Reserve and Auxiliary Forces Bill, introduced in order to enable reserves for the army, navy and air force to be called up gradually, each unit for a short period of time, instead of requiring solemn proclamation of a state of emergency before any reservists could be placed under arms. This measure, which was received without party opposition was plainly necessary in order to keep our defences up to the pitch at which they must be through these perilous months. Anti-aircraft guns and barrage-balloon units are now familiar sights in the parks and public places. Far from causing public alarm, these precautions are proving the best way of avoiding the danger of panic if a crisis should come upon us.

In a speech early in June the Minister for War declared that very shortly Great Britain would have upwards of 750,000 men under arms. Lord Chatfield, Minister for the Co-ordination of Defence, more recently told the House of Lords that there had never been a time when our plans for a war emergency had been so carefully laid. Encouragement has also been found in the progress of civil defence. The number of volunteers for various air-raid precautionary services now exceeds two millions. This was the figure aimed at in the Government's plan for

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achievement by this summer, and although some specialist services are still short of the numbers that they require the response is a great tribute to the spirit of the people and their readiness for sacrifice in the public cause.

Among the other defensive measures that call for brief note are the advice given to householders to store a week's supply of non-perishable food; the emergency barter agreement between the Governments of Great Britain and the United States for the exchange of 600,000 bales of cotton for 80,000 tons of rubber; the announcement of plans for the rationing of coal and petrol in war time; the introduction of a war risks insurance Bill, the announcement of plans for mobilising medical skill in war time, the impressive flights of R.A.F. bombing planes on long-distance practice cruises over France, and the first experimental black-out of London and the home counties on the night of August 10-11. A vital piece of military reorganisation has been the appointment of two Inspectors General, one for the oversea forces and the other for the home forces. These important posts have been given to two of the outstanding soldiers of their generation, General Sir Edmund Ironside and General Sir Walter Kirke.

Mention should also be made at this point of the plans laid for a Ministry of Information in the event of war. This will be concerned with all matters connected with news and publicity both at home and abroad. It will not, however, take over the B.B.C., nor impose a censorship of the press, other than restrictions to be voluntarily applied by the newspapers themselves. Nor will it operate in advance of a war emergency. The Minister indicated to take charge of it is Sir Samuel Hoare, and the permanent head would be Lord Perth. In peace time, Lord Perth has been made head of a new department of the Foreign Office, concerned with helping to put the British case to the people of foreign countries. This move is closely associated with the rapid extension of the B.B.C.'s foreign-language broadcasts, which would no doubt be multiplied

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in war time. How far the medium-wave home services would be restricted for defence reasons in time of war it is impossible to foretell. The possibility that they may be curtailed was admittedly one of the reasons for the Government's reversal of a previous decision not to give facilities for so-called wire broadcasting, whereby the subscriber can plug in to one of a series of programmes distributed along telephone wires.

In foreign policy there has been every evidence of a complete unanimity of principle among all the parties and all groups of public opinion in the country, even though there continues to be a good deal of personal criticism of the Prime Minister. Lord Halifax's speech of June 29 * was described by the *Manchester Guardian* (Opposition Liberal) as without question the finest speech on foreign policy made by a Minister of the National Government since it came to power. "Unshakably firm, irrefutably just, it expressed the ideals of those who look forward to a happier future with no less clarity than it reflected the present temper of the British people". The *News Chronicle* (Opposition Liberal) said that it would meet with the general approval of the British people, and it received equal praise from the Labour organ. A similar unanimity greeted both the Prime Minister's statement of July 11 on Danzig, and the plans to strengthen the resources of our allies and associates by providing an additional £50 million for the government guarantee of export credits extended where credit insurance would be impracticable on a commercial basis but where the transaction is regarded as desirable in the national interest. It is only by such indirect means that ways can be found for Great Britain to lend money to her friends at a time when the resources both of her national savings and of her balance of overseas payments are strained to the utmost to pay for her own rearmament.

On the other hand, the Government found itself faced

* Extracts from this speech are printed on p. 813 above.

BY-ELECTIONS

with substantial opposition, even on its own benches, over the issue of the re-assembly of Parliament. Many members felt that the dispersal of the British Parliament for two months' vacation would be regarded by the dictators as an invitation to take advantage of what these members regarded as the greater pliability of the Government than of Parliament. Several proposals were put forward, one being that Parliament should meet for one day each week, another that it should be represented during the vacation by a Council of State representative of the different parties in proportion to their parliamentary strength. The issue on which a vote was finally taken, however, was simply whether Parliament should be recalled after the recess on October 3, as the Government proposed, or on August 21, as Labour demanded. The Opposition amendment was defeated by 250 votes to 132, some 40 Government members abstaining. The Government, however, can ask for the recall of Parliament at an earlier date if an emergency should require it, and explicit undertakings have been given not to execute a change in British foreign policy without giving Parliament an opportunity to express its feelings.

III. BY-ELECTIONS

THE by-elections continue to show a shift of opinion against the Government since the general election of 1935, but by no means on a sufficient scale to threaten a loss of its majority. At Kennington, late in May, Labour gained the seat, the Conservative vote falling from 12,401 to 7,119, while the Labour vote fell from 11,856 to 10,715. Their only other gain was in Brecon and Radnor, where the Government poll fell from 22,079 to 18,043, whereas the Labour poll rose from 19,910 to 20,679. In the Colne Valley constituency, a former Labour seat, the party managed to increase its poll from 16,725 to 17,277, the Conservative vote falling from 10,917 to 9,012; the most striking feature of the result, however, was a fall in the

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Liberal vote from 12,946 to 9,228, although the candidate had nursed the constituency for years. This discouragement to the Liberals was offset by their success in holding the North Cornwall seat, on a majority increased from 836 to 1,464, the Liberal poll rising from 16,872 to 17,072. The Liberal vote also increased at Hythe, where the Government held the seat by a majority of 2,439, against a majority of 6,671 in 1935, while their total poll fell from 15,359 to 12,016. The Government majority was also reduced at Monmouth, where the Conservative vote fell from 23,262 to 17,358, the Labour poll also falling from 13,454 to 11,543. As evidence that to some extent these reductions of majorities may be directed against the sitting party, whether Government or Opposition, the Caerphilly by-election showed a decline in the Labour vote from 24,846 to 19,847, while the Conservative vote rose from 7,738 to 9,349.

A study of 61 by-elections between the general election and the end of May this year, undertaken by a Manchester research group, showed that there had been remarkably little variation year by year in the proportion of the total votes cast that has been turned over from Government to Opposition, the average being roughly 5 per cent. With an equal turnover in every constituency at a general election, the number of Labour seats would be increased from 166 to 239, but the Government would still have a majority of 63 in the House of Commons. A turnover about half as large again would be necessary to give Labour a parliamentary majority. On the contrary, experience shows that by-elections frequently exaggerate the swing against the Government of the day.

IV. A REARMAMENT BOOM

IN the field of trade and industry, a marked boom is well under way. At the beginning of the year, business was still in a state of depression. Recovery was hoped for,

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but most pundits pinned their hopes upon the expectation of an autumn upturn in business in the United States. Actually, recovery has proceeded month by month with growing vigour since early in the year. And it has owed practically nothing to American stimulation. It is the British Chancellor of the Exchequer, and not the American purchaser, who has engineered recovery. The expenditure of many millions of pounds upon defence, that is to say, public works of a specialised kind, has brought the greater part of the country's unemployed resources into activity again. It is a commonplace of history books that war is the "great consumer." In future editions there must be added a rider that modern "near-war" makes scarcely less large and widespread demands upon industry than war itself.

In December last year the *Economist's* index of business activity (1935 = 100) had fallen from its 1937 peak of 113½ (in August and September of that year) to 101. But in January it shot up to 104½; in May to 110½; and in June, at 111½, it was only two points below its previous best. Employment shows the same swift upward course. In January the number of insured persons aged 16-64 in employment in Great Britain (excluding agriculture) was 11,284,000. This was a marked falling-away from the record of 11,706,000 registered in September 1937. But by May there was a new high record of 11,838,000; and in July the 12 million mark was passed, the actual figure being 12,064,000. In January the total number of registered unemployed aged 14 and over (including those in agriculture) was 2,039,000; in July it had fallen to 1,256,000. The number wholly unemployed in January was 1,594,000; in July it was only 1,014,000.

Even this reduced total of unemployment is misleading. The normal number of workers passing from one job to another or seasonally idle in special trades may be taken as about half-a-million; another quarter-of-a-million, probably, are virtually unemployable because of age or

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because of a wasted youth; militia and territorial army claims will now take away from work, say, still another quarter-of-a-million on the average of the year. It is therefore clear that there is already a sharp shortage of labour. Even the pools of reserve labour in exceptionally depressed districts are actually smaller than they seem: many of the unemployed in such districts are too old to be easily reabsorbed; many more are too inexperienced after a youth of unemployment to be quickly trained for industry; and the bulk of the rest are not readily available for new types of work. Industries like aircraft manufacture and engineering are already hampered for lack of personnel, and over wide areas of the country unemployment in these trades has fallen as low as 2 per cent. of their insured workers. In fact, the clearest sign of the boom that is in progress is the nearness of industry in general to a novel state of full employment.

It is the approach of full employment that gives the gigantic defence expenditure of the Government its decisive economic significance. After a series of supplementary estimates, the revised cost of defence in 1939-40 is put at £747 million, 90 per cent. more than last year. Total national expenditure on all purposes in 1939-40 will be £1,454 million: in 1933-34 it was £690 million, less than this year's cost of defence. If the needs of oversea governments, local authorities and private business are added to the £500 million of loans and bills foreshadowed by the Chancellor, normal savings will be a long way exceeded by this year's borrowing needs.

Here is the crux and peculiarity of the present boom. Rearmament began five or six years ago, but until now it did no more than take in some part of the slack left by depressed civil industry. The scene has swiftly changed. Expenditure on the defence programme has risen to a level capable of generating a boom despite the hesitations of wide sections of private business. The further expenditure projected for the near future threatens to make

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demands upon labour, plant and capital which it will be literally impossible to satisfy without appreciably cutting down non-essential civil activity. No firm steps have so far been taken to do this; and, meanwhile, the problem is rendered more acute by the revival of most branches of non-armament industry under the indirect stimulus of defence spending. As employment, profits and wage-earnings rise, the demand for all sorts of consumption goods is growing as well. All industries in all parts of the country are affected. It is not only the engineering, aircraft and munitions trades that are busy; nor only those of iron and steel, shipbuilding and coal. Ever since last November the registrations of private cars have run steadily above last year's level month by month, and the improvement is accelerating. Registrations of commercial vehicles were below last year's level until May, but they, too, have gathered speed lately; and the course of retail trade shows the same steepening upward trend. It is true that the returns of the value of building plans (by 146 local authorities), which do not include direct government contracts, have shown a steady decline for a year and a half; but even in building the level of unemployment has distinctly fallen. It is almost certain that government contracts have much more than made up for the jagged progress of residential construction.

This is not to say that there are no gaps in the recovery front. The present state of international tension is responsible, not only for the vast arms activity that is the prime-mover of the rising trend of trade, but also for steady stagnation on the stock exchange, for reluctance to put through deals in real property, and for the relatively unfavourable record in recent months of the shops and stores in central and west London. The position was thus described by the *Economist* at the end of July:

The incidence (of recovery) is, of course, uneven. The stimulus comes from industry, not from commerce or finance . . . It is the provinces that are busy; the West End is still under a cloud, while the City is downright depressed.

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The boom is distorted, but it is very wide-embracing, and the moment is very near when its future course must be determined by public policy.

Other economic activities can be restricted to make way for near-war work in three ways. The curtailment of consumption by means of increased taxation, which is the first way, has so far been eschewed. Only one-third of this year's defence expenditure is to come from taxes, even though the reason given in April by Sir John Simon for his reluctance to raise taxes, namely, that to do so would be to check recovery, has lost a great deal of whatever force it then had. By next April the case for higher taxes will be invincible, but until then it is unlikely that, with a general election in the offing, sound finance of this sort will prevail over the easier way of seeming to make posterity pay for our defences.

The second mode of restriction is by direct control over trade and employment and over labour and materials. The establishment of a Ministry of Supply with powers to secure priority for government contracts is a step in this direction. Restriction of non-essential imports and concentration of the country's buying power upon necessary goods are other instances of controls that can hardly be avoided indefinitely. The guidance of exports into channels of strategic and diplomatic importance is another. The apportionment of labour to the places where it is most required is an even more imperative need.

But neither taxation nor control has so far been appreciably employed to ease the growing strain. The prevailing policy is rather an empirical one of "wait and see." In these circumstances it is almost certain that the third and crudest method of restriction must be brought into play. This is the way of inflation. With inflation operating, prices would be allowed to rise under the stimulus of the Government's loan expenditure; public and private enterprise would bid against each other for scarce labour and materials. Though easy and automatic,

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inflation is a hit-and-miss method, always inequitable and often dangerous.

It would be very misleading not to emphasise at this point that, although the necessary conditions for inflation are being rapidly created, the fact of inflation is still absent. So far from rising, commodity prices are still falling. The *Economist's* index of wholesale prices, based on 100 for September 18, 1931, which stood at 131.3 at the end of December 1936 and at 113.7 two years later, was only 114.7 on July 26, 1939. The position is paradoxical. Arms output has grown greatly; there has at least been no reduction in the activity of the consumption trades; every branch of industry—including textiles, where a truly notable recovery has been staged—is busy. Yet the prices of raw materials are still falling. It is true that the price index is appreciably affected by the record slump in wheat prices. It is true, too, that this is commonly a season of the year when prices fall back. But, even so, the fact remains remarkable; and, moreover, it goes a long way towards explaining why the worst strains of the armament boom have not yet become manifest.

For instance, the boom is ultimately bound to imply a worsening of the trade balance as imports are swollen. So far, this danger has not become pressing.

UNITED KINGDOM: OVERSEAS TRADE

Monthly Average in:	(000's omitted)		
	Domestic Exports £	Retained Imports £	Debit Balance £
1937	43,466	79,492	36,026
1938	39,240	71,569	32,329
First half of 1939	39,414	70,279	30,865

In May, June and July, admittedly, the import surplus exceeded that of the same months in 1938, and this trend seems likely to continue. But there has been a steady decline in the prices of imports since 1937; raw

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materials and foodstuffs have become steadily cheaper; and that is why the boom has gone so far without the complications of soaring import surpluses, rising prices, increases in the cost of living, acrimonious wage demands and all the other signs of inflation.

Yet these contingencies are by no means out of the picture. Prices have failed to rise largely for two reasons (apart from changes in the volume of world stocks): the persistence of recession in the United States, and the sudden over-supply of certain commodities like wheat, simply as a result of nature's unexpected bounty. On the demand side, the full weight of government requirements has not yet been thrown into the scale. The 1939-40 programme of expenditure is not yet in full swing. The urgently desirable policy of heaping up reserves of materials and food against an emergency has only been sketched out. Other Governments, too, have large demands still to make. The tide will assuredly turn.

That is the position. There is a breathing space before the expected increase in prices begins. Until it does, the best is being made of both worlds. There is a boom with low prices, high employment with a low cost of living. Money earnings and real earnings are still rising together. But the shadow of inflation overhangs the present prosperity; and it is equally in the interests of the community, who will suffer when prices soar, and of the Government, whose inescapable task is to carry through the defence programme with efficiency and despatch, that plans should be laid forthwith to eke out the nation's resources without the clumsy expedient of unchecked inflation.

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I. CONFERENCES ON CANADIAN-AMERICAN AFFAIRS

SOME years ago Dr. James T. Shotwell, the distinguished Canadian-born American scholar who is director of the division of economics and history in the Carnegie Endowment for International Peace, conceived the idea that the Endowment, which had devoted much of its resources in the past to investigating the troubled areas of the world, might to good advantage encourage the study of what is perhaps the most successful example extant of peaceful international living—the relations between the United States and Canada. This idea has since borne fruit in at least two important projects: the series of scholarly historical and economic studies which are appearing at intervals under the general title of *The Relations of Canada and the United States*, and the three successive conferences on Canadian-American affairs which have taken place under the joint auspices of the Carnegie Endowment, the St. Lawrence University (Canton, New York), and Queen's University (Kingston, Ontario).

The first of these conferences was held at St. Lawrence in 1935; the second at Queen's in 1937; while for the most recent (June 19-22, 1939) the members returned to St. Lawrence. Members of the conferences attend by invitation. The personnel has been primarily academic, though the lump has been somewhat leavened by the presence of a few members of both countries' legislatures, government officials and civil servants, soldiers, journalists, and the like. It was remarked at one conference that the Americans present were chiefly either ex-Canadians or persons having some sort of special professional interest in relations with

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Canada. This was less true in 1939 than on the earlier occasions; but it is probably fair to assume that the organisers have discovered that it is harder to interest the average American in Canadian-American relations than it is to interest the average Canadian. The conferences are, of course, entirely unofficial. They pass no resolutions, formulate no principles, and attempt no propaganda; volumes of proceedings are published. As the conferences are merely forums for exchange of views it is easy to accuse them of being ineffectual. Nevertheless, it could probably be demonstrated that they have had a measurable if limited effect in increasing the diffusion of information (and therefore presumably of understanding) concerning each country's problems on the opposite side of "the line".

In their subject-matter the conferences have reflected in a rather striking fashion the deteriorating world situation of the past few years and the concurrently growing anxiety of the North American countries. Foreign policy had no place on the agenda of the 1935 meeting, but one improvised discussion, chiefly turning about the Far Eastern situation, did take place. In 1937 a full session was devoted to the foreign situation. In 1939 it entirely dominated the discussions, which were primarily dedicated to study of the external relations of North America. Economic relations were dealt with at some length, and the final sessions were devoted, significantly enough, to a matter to which neither of the previous conferences had paid much attention—the problems of defence. Many schools of thought were represented in the discussions of these questions. One interesting feature was the all-but unanimous fashion in which Canadian speakers called upon the United States to assume a rôle of active leadership in the struggle for world order. In an introductory paper an eminent Canadian economist pointed out that a re-integration of world economy was certain to take place in the near future; and that the question whether the ultimate result would be a fascist type of trade system founded on force,

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or a system founded on peace and free exchange, rested largely with the United States. A later speaker argued that sooner or later the American republic would have to face its destiny: that power brought responsibility with it; and that for all its reluctance the most powerful nation in the world could not indefinitely avoid assuming the burden of the creation and defence of some sort of world balance of power. The Americans on their side displayed, to an extent that certainly surprised some Canadian observers, a conviction that the practical interests of the United States were closely bound up with the outcome of the present critical situations in Europe and the Far East. The view was expressed, not once but several times, that, all questions of morals and sentiment apart, the republic simply could not afford to see Great Britain and France destroyed or rendered impotent, or Japan become undisputed master of eastern Asia. It would perhaps be unwise to attach too much importance to these declarations, which came, after all, from Americans representing predominantly the intellectual centres of the eastern states; yet the change of tone as compared with that in evidence at the earlier meetings was remarkable, and provided striking evidence of the force of the impact of recent happenings upon the mind of some sections at least of the American people.

Curiously enough, the really intransigent expressions of isolationist sentiment in 1939 came not from Americans at all, but from the spokesmen of the anti-imperialist groups in Canada, which as usual were ably and articulately represented. One of these, speaking with a vehemence that seemed to some observers to reflect the sense of defeat which has apparently been growing in the minds of the isolationists in Canada since September of 1938, went so far as to tell the Americans present that they were witnessing the last struggle of a part of the English-speaking world for self-government. (The reference was to the legal incapacity of Canada to declare neutrality in a British war, and the refusal of the Canadian Government to introduce

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legislation investing her with this power). More than one French-Canadian member spoke; they confined themselves in the main to exposition of the reluctance of their people to contemplate intervention in a war in which Canadian interests and Canadian security were not definitely and directly at stake.

In the discussion of these larger and very pressing issues, questions of Canadian-American relations *per se* tended to fall into the background. Some such questions, however, were raised in the discussions on defence. A Canadian speaker, describing the Dominion's new defence programme, suggested that it was inspired, not only by fear of the aggressor States, but also by the desire to impress the United States with the fact that Canada was bearing her proper share in the general defence of North America, and that the United States would never need to intervene on Canadian soil in the interest of her own security. More than one Canadian expressed the opinion that the scheme for the construction by the United States of a military highway across British Columbia, connecting the continental United States with Alaska, was inadmissible as being inconsistent with Canadian self-respect. One possible source of Canadian-American difficulty was briefly noticed by two Canadian speakers, who suggested that if the United States adopted a policy of excluding immigrants from Canada this would occasion an increasing divergence between the two countries' standards of living and presumably a deterioration of the present friendly relations. In view of the apparently hardening sentiment on the subject in Congress, this question may conceivably become a serious one in the near future.

Considerable discussion resulted from the suggestion of an American speaker that Canada ought to join the Pan-American Union, a suggestion which seemed acceptable to the American members generally. Canadians were less united on the issue. The anti-imperialist groups appeared in general to favour the idea, but a number of arguments

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were advanced against it. One speaker suggested that the motive of the American desire to bring Canada into the Union was the idea that she would lend support to American policy, and went on to point out that if she did take this line she might impair her relations with Latin America, which now are satisfactory though relatively unimportant; whereas if she chose to take an independent line, distinct from that of the United States, her relations with that country, which naturally are of paramount importance to her, might suffer. The same speaker hinted that the Union might seem more acceptable to Canada if Great Britain, France and Holland (all of which are American Powers) were included in it; while another, following the general Canadian line of argument already noted, thought that Canada would be readier to join if the United States showed itself prepared to take a more active rôle in world affairs generally. The discussion was rather inconclusive, though it left the impression that a majority of the Canadian representatives were not convinced that the Dominion would be well advised to adhere to the Union. One Canadian suggested, however, that it was time for his countrymen to give more careful consideration to this question, for if left in its present state it might some day prove "the entering wedge" for serious Canadian-American difficulties.

II. BACK TO THE CONSTITUTION

EVER since the beginning of the world depression, increasing national attention has been given to the British North America Act, and in November 1937 a Royal Commission on Dominion-Provincial Relations was appointed to survey the constitutional situation after hearing evidence throughout the country. This Commission, at the time of writing, has not yet reported; but the briefs presented to it by the provinces disclosed that provincial agreement on constitutional changes is as far off as ever. The *status quo* received wide approval, especially

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in Ontario and Quebec. Cutting across the constitutional problem in its domestic aspects came the international situation, and out of it arose the question of Canadian neutrality. In these circumstances, many minds have turned to the study of the actual terms of the British North America Act, including the legal issue of neutrality, and to a review of the opinions of the Judicial Committee of the Privy Council in the light of those terms. "Back to the Constitution" seems, to-day, to constitute some rallying-ground for public opinion.

No detailed review will be made here of the judicial decisions on the Act; for comprehensiveness is out of the question and selection would be misleading. In addition, this work has recently been done in a first-class manner by Mr. W. F. O'Connor, K.C., parliamentary counsel to the Senate, in a report on the British North America Act * recently presented to that body. We aim to regard rather "the constitution itself and not what has been said about it".† The proposed review may disclose in some degree that John A. Macdonald's hope of avoiding "all conflict of jurisdiction" ‡ was not the mere rhetoric of debate.

The preliminaries to the enactment of the British North America Act are well known. The general intentions are clear: to give to the Dominion legislative power over national matters and to the provinces legislative power over local matters. The preamble to the Act says that "the Provinces of Canada, Nova Scotia and New Brunswick have expressed their desire to be federally united". This "desire" had been expressed in the London Conference Resolutions of 1866,§ where the whole scheme was

* The King's Printer, Ottawa, 1939.

† Per Frankfurter, J. in *Graves et al v. The People of N.Y.*, (1938) U.S., March 27, 1939.

‡ *Confederation Debates* (February 6, 1861) in Kennedy, *Statutes, Treaties and Documents of the Canadian Constitution* (Oxford, 1930), p. 119.

§ The London Conference Resolutions are cited in Kennedy, *op. cit.*, pp. 611 et seq.

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considered *de novo* by colonial delegates, and an agreement was reached to seek "the sanction of the Imperial Parliament . . . for the union of the Provinces on the principles adopted by the Conference". The governing principles laid down are abundantly clear:

A general government charged with matters of common interest to the whole country and local governments for each of the Canadas and for the Provinces of Nova Scotia and New Brunswick charged with the control of local matters in their respective sections.

The Resolutions were forwarded to the Colonial Secretary by Macdonald with a request for legislation based on their expressed terms.

The Resolutions contained an enumeration of provincial subject-matters (Resolution 41), and these the draftsman, Lord Thring, turned into section 92 of the British North America Act. They became exclusive to the provinces, for the simple reason that the London Resolutions desired the provinces to have "control of local matters". Again, the London Resolutions (No. 28) assigned to the Dominion "power to make laws for the peace, welfare and good government of the Confederation . . . and especially laws respecting the following subjects". Here followed thirty-six enumerated subjects, of which the last read: "And generally respecting all matters of a general character, not specially and exclusively reserved for the local legislatures". Now, it is a matter of historical record that section 92 of the Act was drafted first; and, as Lord Thring approached the drafting of section 91 (the federal legislative powers), all that he strictly needed to do was to state that the federal legislature had power to legislate on all matters not assigned exclusively to the provinces. This, in fact, he did, and the clause would have been sufficient to distribute the powers. Resolution No. 28, however, faced him, demanding its expression in statutory form. He could not, and did not, include its enumerated heads in section 91 as further powers, because the Resolution had referred to them

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as "especially" laws illustrative of the general residuary power given to the Dominion. In sections 92 and 91, therefore, which were amply and carefully founded on Resolutions 41 and 28 of the London Conference, provincial powers were enumerated and exclusive, while federal powers were the residuum, with *illustrations*. The whole range of legislative powers within the new Dominion was exhausted by the distribution.

Section 91 runs as follows :

It shall be lawful for the Queen by and with the advice and consent of the Senate and House of Commons to make Laws for the Peace, Order and Good Government of Canada in relation to all matters not coming within the classes of subjects by this Act assigned exclusively to the Legislatures of the Provinces, and for greater certainty, but not so as to restrict the generality of the foregoing Powers of this section, it is hereby declared that (notwithstanding anything in this Act) the exclusive legislative authority of the Parliament of Canada extends to all matters within the classes of subjects next hereinafter enumerated; that is to say—

(Here follows an enumeration of twenty-nine classes of subjects concluding with this unnumbered paragraph) :

And any matter coming within any of the classes of subjects enumerated in this section shall not be deemed to come within the class of matters of a local or private nature comprised within the enumeration of the classes of subjects by this Act assigned exclusively to the Legislatures of the Provinces.

This is to be read in conjunction with section 92.

In each Province the legislature may exclusively make laws in relation to matters coming within the classes of subjects hereinafter enumerated; that is to say—

(Here follows an enumeration of sixteen classes of subjects of which the last is the following) :

16. Generally all matters of a merely local or private nature in the Province.

Neither to the Dominion nor to the provinces is given jurisdiction over any field of law; each is given authority to make laws "in relation to" matters coming within certain spheres. The provincial powers are exclusive,

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and they cover an enumeration of classes of matters. The Dominion powers are residuary, and residuary they remain. Certain enumerations follow, but in a declaratory clause, which is written "for greater certainty" (the "especially" of the London Resolutions, No. 28) and "not so as to restrict the generality of the foregoing terms". The clause is not enacting—"shall extend"; it is declaratory—"extends". It neither adds to nor takes away from the residuary clause. Section 91 followed in an admirable manner not merely the general scheme of the London Conference but in particular Resolution No. 28. Dominion legislation will prevail if it is of a general nature; provincial legislation will prevail if it is merely of a local provincial nature.

If any competent person cares to examine the cases for the first twenty years after the enactment of the constitution, he will see that the terms of the Act, as here analysed, not only prevailed but also provided a working scheme. To examine the subsequent cases would be here impossible; but it is more than clear that they turned the Act into something which its terms never intended. In effect, the Judicial Committee of the Privy Council has legislated for Canada. Illustrations from its decisions may be given :

(i) It has separated the enumerations of section 91 from the governing enacting clause and has given them a place as separate, distinct and paramount grants, which they are not, turning them into the only normal legislative power of the Dominion.

(ii) It has looked on the residue of power left with the Dominion as something apart from its enumerated *examples*, reading for "extend", "shall extend". It has spoken of a "general power" and "particular powers" of the Dominion as though they were two separate things; and it has erected its conception of a "general power" into one which is valid only in a national emergency.

(iii) Not satisfied with all this, it has so modified some of the enumerated examples of the Dominion's power as to divest them of any authority.

(iv) It has practically destroyed the doctrine of different aspects of any legislative subject-matter by forgetting that there is a federal as well as a provincial aspect of "property and civil rights".

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(v) It took on, in 1896, in express words, a special guardianship of the provinces and, in becoming a guardian, it ceased to be judicial.*

The terms of the Act, in their plain meaning, are not supremely difficult of application; and the complexities which to-day flow from our constitution, to the detriment of our national life, do not flow from the terms of the Act, but from the interpretation of them, which cannot be justified on any reasonable grounds. It is clear that the "Fathers of Federation", working with Lord Thring, gave to Canada an instrument of government flexible in its terms and capable of becoming an admirable basis for the growth of a nation—a federal nation. In its terms there is clear scope for national life and for provincial life. It would indeed seem that if both are to progress we must go "back to the constitution" and give its terms a chance to work once more as they did in the early days. It is surely not too much to try to do. This, of course, raises the whole question of appeals to the Judicial Committee of the Privy Council.

The Statute of Westminster declared that the Parliament of Canada had full power to make laws having extra-territorial operation and abolished the doctrine of repugnancy under the Colonial Laws Validity Act. Under the Statute of Westminster, the power of the Parliament of Canada to abolish all appeals to the Judicial Committee in criminal cases was upheld in *British Coal Corporation v. The King*.† The failure of the Judicial Committee to uphold the social legislation of Mr. R. B. Bennett's Government, commonly known as "the New Deal", gave rise to

* For an extraordinary attempt to guard the provinces as against the federal taxing-power, see Lord Atkin in *A.G. for Canada v. A.G. for Ontario*, (1937) A.C. 355, at pp. 366-7. So strange are Lord Atkin's words that Mr. C. H. Cahan suggested in the House of Commons (April 1939) that the Governor-General in Council should seek from the Supreme Court an opinion as to whether the Canadian Parliament could legally appropriate money for provincial subject-matters.

† (1935) A.C. 100.

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wide discussion, and the whole matter of appeals took on a sense of reality for which there was no previous parallel in Canadian history. Public opinion is far from being crystallised. On the one hand, there continues the old doctrinaire argument, built on little exact knowledge and informed largely by sentiment, that legislative power without Canadian judicial finality is a relic of colonialism. On the other hand, the legal profession, in so far as it has expressed itself corporately through Bar Associations and the like, continues to talk of "bonds of Empire", of "the footsteps of the Throne", of "keeping the law in step"—an approach equally sentimental if less justifiable. There is, however, a great body of sensible and well-informed middle opinion which would link the whole question with the movement "back to the constitution", seeking change in the hope that the British North America Act might be applied to Canadian life in its own terms by a Canadian judiciary. This body of opinion is practical, and its leaders refrain from emotional argument, meeting each point as far as possible on grounds of facts. Thus, it is becoming clearer that appeals to the Judicial Committee are not a bond of Empire, are not going to the footsteps of the Throne, and that the Judicial Committee does not necessarily keep the law "in step". Much more difficult to meet is the opinion that the Judicial Committee possesses, of necessity, an objectivity which does not and cannot exist in Canada. That opinion might be met on many grounds, of which the most important would be that we need the very subjectivity of Canadian judges; for the merest tyro in jurisprudence knows the importance of this in the whole judicial process. However all this may be, public opinion is in practice far more favourable to the total abolition of appeals to the Judicial Committee than it was in 1934 when the matter was reviewed in THE ROUND TABLE.* That article, however, suggested that serious difficulties might arise; for it was

* No. 96, September 1934, pp. 808 et seq.

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then far from clear whether all appeals from both federal and provincial courts could be abolished without Dominion-provincial agreement. Since 1934, much study has been given to the issues at stake.

In 1938, Mr. C. H. Cahan introduced a Bill dealing with appeals and it received the approval of Mr. E. Lapointe, Minister of Justice. During the debates on Mr. Cahan's Bill, Mr. Lapointe suggested that the Bill be held over for further study and he introduced for the first time in public a new point of view. He maintained that the Parliament of Canada had power to abolish all appeals in all matters from any court—federal or provincial—to the Judicial Committee. He pointed out that under section 92 of the British North America Act the provincial powers in relation to courts, the administration of justice and procedure apply only "within the province", and that, as they cannot include a power to abolish appeals to the Supreme Court of Canada,* which is outside the province, so, *a fortiori*, they cannot include power to abolish appeals to the Judicial Committee. Such power must lie with the Dominion under its residue of power and under section 101 of the British North America Act, where power is granted to the Parliament of Canada to establish "a general court of appeal for Canada". On Mr. Lapointe's advice, Mr. Cahan withdrew his Bill. Mr. Lapointe added that in the next session facilities would be given if necessary for discussion. Mr. Cahan's Bill was reintroduced and passed its first reading in January 1939.

A revised version came up for discussion, with the full sympathy of the Minister of Justice, on April 14, 1939, in the following form:

1. Section fifty-four of the Supreme Court Act . . . is repealed and the following substituted therefor—

"54. (1) The Supreme Court shall have hold and exercise exclusive ultimate appellate civil and criminal jurisdiction within and for Canada; and the judgment of the Court shall, in all cases, be final and conclusive."

* *Crown Grain Company v. Day*, (1908) A.C. 504.

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2. Notwithstanding any royal prerogative or anything contained in any Act of the Parliament of the United Kingdom or any Act of the Parliament of Canada or any Act of the legislature of any province of Canada or any other statute or law, no appeal shall lie or be brought from any Court now or hereafter established within Canada to any court of appeal tribunal or authority by which, in the United Kingdom, appeals or petitions to His Majesty in Council may be ordered to be heard.

3. The Judicial Committee Act, 1833, chapter forty-one of the statutes of the United Kingdom of Great Britain and Ireland, 1833, and the Judicial Committee Act, 1844, chapter sixty-nine of the statutes of the United Kingdom of Great Britain and Ireland, 1844, and all orders rules or regulations made under the said Acts are hereby repealed in so far as the same are part of the law of Canada.

The explanatory notes attached to the Bill pointed out that it was based on sections 91 and 101 of the British North America Act, 1867, and on the provisions of the Statute of Westminster.

Mr. Cahan, in moving the second reading, asked that the Bill be referred to the Supreme Court of Canada for the purpose of ascertaining the powers and jurisdiction of Parliament to enact the proposed legislation. Mr. Lapointe approved the terms of the Bill and the authorities on which it was based. He thought it wiser, however, to adjourn the debate, since he accepted Mr. Cahan's proposal for reference to the Supreme Court. There the matter lies. There can be no doubt about the wisdom of the whole procedure. Both Mr. Cahan and Mr. Lapointe spoke with great authority and marked restraint. The former laid down a political principle which commands the widest respect: freedom to control all our life is the only guarantee of ready acceptance of duties and responsibilities in the British Commonwealth. He raised, too, an important implication. He called for effective measures "to change, increase and strengthen" the personnel of the Supreme Court, in order that, with the prospect of becoming the ultimate and final court, it "may have and enjoy the full confidence of the Canadian people". If Mr. Cahan's

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Bill becomes law, real force will be given to the demands put forward over many years, for a large increase in judicial salaries. And it is to be hoped, when Canadian legal education receives its much-needed improvement, that the bar will contain more and more men to whom judicial office will mean the crown of professional accomplishment.

It is necessary to add something further. If ever the Bill becomes law, it will be largely futile as long as the opinion already given by the Judicial Committee on the British North America Act are of authority. The Supreme Court of Canada is bound by these decisions. If we are to go back to the terms of the British North America Act, we must go back to them shorn of the misinterpretations that have been placed on them, in order that the Supreme Court may be able to build up *de novo* a Canadian jurisprudence on the terms of the Act. How this can be done is at present problematical; but a proposal by Mr. O'Connor at present holds the field as a basis for discussion. He suggests the causing of an enactment by the Imperial Parliament of British North America Interpretation Act, which should declare, saving the effect of all things already decided and done, that the true intent of the British North America Act, 1867, and always has been, etc., etc. (as per a formula to be stated in the words of one or more of the decisions of the Judicial Committee rendered before . . . 1896) and that thenceforth the Act should be interpreted and construed accordingly.

It looks as though his suggestion will lead to parliamentary debate.

In turning to discuss the question of Canadian neutrality we are concerned in this article only with a legal question and not at all with policy. It is a political issue, whether the law *ought* to be what it apparently is. Nor are we concerned with the practical implications of the law in Canada, while perhaps legally at war, did not wish to take any active part in it. It may indeed be true, as General Smuts once said, that discussions over neutrality are largely idle in the light of the fact that the march of mighty events will undoubtedly govern the issues. On the other hand

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the law in Canada must be faced, not simply because it must govern the legal situation, but because any proposals to change or clarify the legal situation must proceed from the law as it is. Once again we go "back to the constitution".

Under the Royal Parliamentary Titles Act, the King's title was proclaimed on May 13, 1927, as

George (V), by the Grace of God, of Great Britain, Ireland, and the British Dominions beyond the Seas, King, Defender of the Faith, Emperor of India.

The Latin form was also included in the Proclamation:

Georgius (V) Dei Gratia Magnae Britanniae, Hiberniae et terrarum transmarinarum quae in ditione sunt Britannica Rex, Fidei Defensor, Indiae Imperator.

Now the term "British Dominions beyond the Seas" is of Canadian origin, having been suggested by the Canadian Cabinet on February 9, 1901.* It is apparent that it is of geographical significance only, and that it does not refer to "the Dominions" as defined in the Statute of Westminster. In other words, the term does not mean that there is a "Kingdom of Canada", created by implication under the proclamation flowing from the Royal Titles Act. That it was not intended to do so is apparent from the Latin version, where the words "*in ditione*" disclose a concept quite out of keeping with the status of Canada as a separate kingdom.

In turning once more to the British North America Act, we find that Canada is a "Dominion under the Crown of the United Kingdom". Executive authority is "vested in the Queen", and where the provisions of the Act refer to "the Queen", "they extend also to the heirs and successors of Her Majesty, Kings and Queens of the United Kingdom". In the light of this fundamental position, which is specifically protected from any legislative action in Canada by the Statute of Westminster, it would seem that notwithstanding Canadian legislation in connection with

* See Kennedy, *Constitution of Canada* (Oxford, 1938), pp. 518 et seq.

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Edward VIII's abdication, His Majesty's Declaration of Abdication Act, 1936, of the Parliament of the United Kingdom, became in law automatically operative in Canada. However that may be, there is no evidence either in that Act or in the succeeding Canadian Statute assenting to it that either Parliament contemplated a "Kingdom of Canada" or that George VI succeeded to a Canadian crown as "King of Canada" in any sense in which those terms would have a legal meaning. In other words, the royal title, the British North America Act (which Canada cannot change) and the Abdication Acts disclose that the Crown is one and indivisible as far as Canada is concerned. We have not, for Canada, a personal union such as existed between England and Hanover before the accession of Queen Victoria.

Finally, George VI was not crowned as "King of Canada". A new coronation oath was provided to take the place of that in the statute of William and Mary, under which the King swore "to govern the people of this United Kingdom of Great Britain and Ireland, and the Dominions thereto belonging, according to the Statutes in Parliament agreed on and the respective laws and customs of the same". The new coronation oath—concerning which the Canadian Government was consulted, concurring in the changes—itsself of doubtful legal authority, is in the following terms :

Will you solemnly promise and swear to govern the people 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? I solemnly promise so to do.

There is nothing whatever in this oath to constitute George VI "King of Canada" with any legal implication that the Crown has ceased to be one. Indeed, the Prime Minister of Canada was careful to point out that the coronation service contained no reference to the King's

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title and that it had not been changed in any way by the coronation ceremony.* George VI is "King of Canada" in the colloquial sense that he is King of all his dominions—of each parish and township therein. He is not "King of Canada" in the sense that he wears or was crowned with a separate Canadian crown; and the term, if used at all, is purely informal and has no legal meaning. No coronation ceremony, apart from statute, could change for Canada the legal indivisibility of the Crown as laid down in the British North America Act.

Such would appear to be the legal situation, and it is of pretty general acceptance. Could Canada change it by statute? There is a school of thought which believes that the effect of a declaration of war by the Crown could be nullified by Canadian legislation, on the lines perhaps of the Status of the Union Act in South Africa. Without discussing that Act, it would appear that such Canadian legislation would undoubtedly imply a change in the British North America Act, the terms of which govern the legal situation. When, however, we come to that point the atmosphere thickens. It would be very difficult indeed to secure such a change—certainly at present, with the central provinces more than ever on guard over the British North America Act, and with domestic issues and opinions cutting deeply across the constitutional side of imperial and international affairs. General Smuts, on this subject, would seem to have had the last word.

Canada,

July 1939.

* 212 Canada: *Commons Debates*, 1442, 1443.

AUSTRALIA

I. FORTUNES OF THE NEW GOVERNMENT

NOT for nearly twenty-five years has the Commonwealth been governed by a minority party in the House of Representatives. In Alfred Deakin's phrase, there are again "three elevens in the field". The Country party maintained its threatened refusal to enter a coalition led by Mr. Menzies, and thus dissolved the combination that has been in office (with the exception of two years, early in the great economic depression) ever since the resignation of Mr. W. M. Hughes in 1922. The new Government, which was sworn in on April 26, was therefore drawn exclusively from the United Australia party. The Prime Minister himself took over the Treasury; the former Treasurer, Mr. R. G. Casey, was assigned to a new Ministry of Supply and Development; the portfolios of the Attorney-General and of Defence remained in the hands respectively of the veteran Mr. W. M. Hughes and of Mr. G. A. Street. Sir Henry Gullett, who in former Administrations had been Minister for Customs and Minister in charge of Trade Treaties, became Minister for External Affairs. It is expected, however, that the Prime Minister will take a very active personal part in the formulation of external policy—a sphere in which he is himself keenly interested.

Mr. Menzies, himself not yet forty-five, has chosen a young team, even for an Australian Administration, and has shown both originality and discrimination in his creation of portfolios and allocation of duties. Drawn mainly from New South Wales and Victoria, the Ministry nevertheless contains representatives from all states except Tasmania—a

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matter of some importance in a federal country with an area as large as that of Europe.

The new Prime Minister announced a programme of energetic progress with the work of national preparedness, not only on the military but also on the civil side. He entered office with high hopes, too, of doing something to improve the deliberative work of the House. His first parliamentary session, however, must have been both harassing and disappointing for him. There can be no more searching test of the courage and temper of a political leader than the position of a Government that depends for its majority upon support from a third party on the cross-benches. Under weak leadership, a condition of more or less stable impotence soon supervenes—as more than one Australian state in recent years has found to its cost. With bold and patient direction, on the other hand, much can be accomplished, as Deakin showed early in the history of the Commonwealth. The Government has emerged from its first session, though rather battered and perhaps uncomfortable after swallowing a few unwelcome draughts, with some credit and with its major legislation safely on the statute-book.

The Labour Opposition, of course, has taken advantage of the parliamentary situation to the full, and has hampered the Government's measures with great thoroughness. But that, after all, is the duty of a parliamentary Opposition. Even in these times, to regard opposition to the Government in office as disloyalty to the country is dangerous to freedom. The Country party gave its promised discriminating and critical support to the Government, although its leader has played rather an inglorious part; the session both began and ended with a bitter personal attack by Sir Earle Page upon Mr. Menzies, to which the latter replied with dignity and restraint. By agreeing to the imposition of the "guillotine", the Country party enabled the Government to overcome the stonewalling tactics of the Opposition. The Country party is said to

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be an unhappy family and to be restive under its present leadership.

Much interest attached to the way in which the Prime Minister would deal with the national insurance scheme, his continued support of which had caused his resignation from the Lyons Government.* By the time of his election to leadership of his party, the measure that had been placed on the statute-book last year appeared not to have the support of any one of the political parties. The Labour party condemned it, mainly because it was based throughout on the contributory principle and because it made no provision for unemployment insurance. The Country party condemned it because it applied only to employees and excluded the whole small-farmer class. The United Australia party was hopelessly divided in opinion, but the majority feared the cost—added to that of the defence programme—even of putting into operation the existing Act. That Act, however, had previously been proclaimed to come into operation on September 4, 1939. Although the country clearly wanted a national insurance system, nobody could be sure what national insurance system it did want.

This is the kind of confusion that in ordinary circumstances a general election may dispel. But none of the parties wanted an immediate election, and in any case the Government could find no basis upon which its own supporters would agree. Compromise and delay thus became inevitable. Mr. Menzies did indeed choose for the new portfolio of Social Services Sir Frederick Stewart, a man of independent spirit whose advocacy of a comprehensive scheme of national insurance had been vigorous, and who pledged himself on assuming office to get an effective system into operation. In order to deal with the immediate situation, however, the Government proposed, first, to

* Earlier stages of the national insurance scheme were discussed in THE ROUND TABLE, No. 112, September 1938, pp. 834-7; No. 114, March 1939, p. 423; No. 115, June 1939, pp. 624-5.

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annul by statute the proclamation bringing the Act into operation in September next, thus leaving intact the administrative structure already created; and secondly to entrust to a joint select committee the task of making recommendations before September 30 on the whole subject of national insurance, including unemployment insurance. This proposal involved the Prime Minister in some inconsistency with his earlier declarations on the subject, a point upon which he was taunted by Sir Earle Page. But it is not easy to see what alternative course was practicable, in the existing state of opinion. In the event, the Government's Bill to annul the proclamation was passed, but the proposal for reference to a select committee was defeated, the Country party voting with the Opposition. The Government was thus left to formulate by its own methods its policy regarding national insurance. The one clear thing in the situation is that the scheme in its present form is dead. There has been some criticism of the fact that the cost to the country has already been of the order of £150,000, but that is not the most serious element in a rather sorry story. No doubt it was a bold venture to introduce in such times as these a comprehensive measure of national insurance. On the other hand, it is precisely in times like these that a democracy needs to be most resolute in promoting social justice.

II. PUBLIC FINANCE

THE Australian Loan Council, at a recent meeting, was faced with real difficulties in arranging a loan programme for the ensuing financial year that would provide for the expanding needs of defence, for necessary developmental and unemployment relief works by the states, for budget deficits, and for the requirements of semi-governmental bodies such as public utilities, while remaining nevertheless within the capacity of a rather embarrassed money market.

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The programmes originally put forward by the seven Governments totalled £55 million, of which the Commonwealth's share was £16 million. This was quite beyond the capacity of the market, under the difficult conditions of low export prices and rising costs. It was therefore agreed that the total borrowings for the states and their semi-governmental authorities should, with certain adjustments, be approximately the same as for 1938-39. The following programme was ultimately agreed upon, figures for 1938-39 being given for purposes of comparison.

	1938-39	1939-40
Commonwealth (works)	2.00	4.00
States	16.62	18.55
Defence	4.00	10.00
Semi-governmental	8.5	8.55
Total	31.12	41.10

It was recognised that a total programme even of £41 million could not be raised without some assistance from the Commonwealth Bank, acting in its capacity as a central bank. The Bank has shown its readiness to assist the market over its present difficulties, and it will be fortified in this policy by the decision of the Loan Council to exercise a stricter control over semi-governmental borrowing.

On this point the Council passed an important resolution affecting both semi-governmental borrowing and the practice that had developed in some states of guaranteeing other loans, such as sums raised by building societies. The resolution was as follows:

Each government represented at the Loan Council agrees that in future it will not, without the prior approval of the Loan Council, guarantee any loan raised, or to be raised, by any semi-governmental authority; and that it will, from time to time, furnish to the secretary of the Loan Council particulars of all guarantees given by it to bodies other than semi-governmental authorities.

This resolution is evidence of timely co-operation in an important matter. The Financial Agreement is limited in

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terms to borrowings by the Governments of the Commonwealth and the states. Borrowing by state statutory bodies, technically independent of the state itself, could easily develop to such an extent as to revive the abuses of unregulated competitive borrowing which the Financial Agreement was designed to cure.

III. EXTERNAL POLICY

THE Prime Minister has frequently expressed the wish that the Commonwealth Parliament should devote more time to the discussion of external affairs. In pursuance both of this policy and of his desire to extend the deliberative functions of the House, Mr. Menzies arranged to give a whole day to the subject. Members expressed their satisfaction at having such an opportunity, but the opening speeches both for the Government and for the Opposition followed very general lines.

Sir Henry Gullett, in opening the debate, announced the Government's unequivocal support of present British policy, and stated that if in pursuance of that policy Great Britain is at any moment plunged into war "this Government will, on behalf of the Australian people, make common cause with the Mother Country in that war". The Prime Minister has since repeated that undertaking in almost identical words. It represents the deliberate general judgment of the Australian people, not merely as a matter of sentimental or historical loyalty, but as a matter of direct national interest. In a broadcast to the nation on his accession to office, the Prime Minister said:

The peace of Great Britain is precious to us, because her peace is ours; if she is at war, we are at war, even though that war finds us not in European battlefields, but defending our own shores. Let me be clear on this: I cannot have a defence of Australia which depends upon British sea power as its first element, I cannot envisage a vital foreign trade on sea routes kept free by British sea power, and at the same time refuse to Britain Australian co-operation at a time of common danger. The British countries of the world must stand or fall together.

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The Government's statements have been more specific than anything that was said here officially in September 1938. On this point Australia appears to be far more united at present than she has been at any time in recent years.

On the other hand, Sir Henry Gullett was at pains to point out, with the concurrence of the Prime Minister, that Australian support of present British policy should not be taken to mean that "in any and every set of circumstances the foreign policy of a government of the United Kingdom, if it led to war, should or would automatically commit Australia to participation in that war". The Leader of the Opposition concurred heartily in this proposition. While emphasising the Labour party's determination that Australia should remain inseparably a member of the British Commonwealth of Nations, Mr. Curtin said that "whatever be our obligation as a constituent member of the British Commonwealth, that obligation is one for us to measure and for this Government and this Parliament to determine, because our membership of that Commonwealth does not automatically commit Australia to participation in war". In all this, of course, there is nothing new or unorthodox. Strictly understood, it is only the familiar doctrine that no part of the Commonwealth can impose active political or military obligations on another part without its own assent. But everybody knows that the phrases are very easy to misunderstand, and are in fact frequently misunderstood.

No substantial section of Australian political opinion contends to-day for the right of a Dominion to remain technically neutral in a war in which Great Britain is involved. Mr. Curtin did indeed claim it during the Abyssinian affair, but he and his party have moved a long way since then, and in the recent debate the idea was explicitly scouted by Mr. Blackburn, one of Mr. Curtin's ablest followers. But between technical neutrality—with its right, for instance, to trade with both belligerents—and "all-in" belligerency there is a very wide gap, which it is

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the merit, or perhaps the danger, of the Imperial Conference orthodoxy to conceal. The Government says, "it is for us to determine whether or not we shall participate", but contemplates throughout that Australia's participation will in fact be complete. Labour, much more critical of British policy, says likewise, "it is for us to determine whether or not we shall participate", but envisages the possibility, in some contingencies, of merely passive belligerency. Isolationist sentiment is still a strong element in Labour opinion. Some of the United Kingdom delegates at the British Commonwealth Relations conference last year urged that this kind of ambiguity should be cleared up, and that if there are to be any commitments for mutual defence in the Commonwealth they should be explicit and reciprocal. The Government's declaration is a specific undertaking in this sense, though of course limited to the present situation.

The Government has also emphasised the fact that while Australia, as a member of the British Commonwealth, has a real interest in European affairs, her sphere of primary interest and risk, as a principal, lies in the Pacific. The recent decision to establish legations of our own, beginning with the United States and Japan, lays stress on this point. So does the increased press attention of late to developments in United States policy. Speaking generally, the Australian people are becoming more aware of the vital importance for their own future of closer and more sympathetic relations with the United States.

There is reason to believe that the Government's emphasis on Australia's interests in the Pacific has found expression recently in the advice tendered or representations made by Canberra to Westminster. To keep such representations secret is one of the most strictly observed conventions of the Department of External Affairs. The usual answer to questions in the House is that the Government is in continuous consultation with the Government of the United Kingdom, that it concurs in the steps being taken

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that Government, and that to make any further statement could be inadvisable. Of late, however, it has been made clear that the Australian attitude towards the Anglo-Russian negotiations has been largely influenced by fear of the possible repercussions on Japan. The Prime Minister told the House that in regard to the negotiations between Great Britain and the U.S.S.R. the Australian Government, while properly emphasising its special interests in the Pacific, had said nothing that would in any way prejudice a better understanding or arrangement with Russia". In a fuller statement just before the House adjourned in mid-June, the Minister for External Affairs said:

The Commonwealth Government has expressed its support of the efforts of the United Kingdom Government to secure Russian participation on the most effective terms possible, and his support extends to the conclusion of a direct defensive agreement. . . . It is not intended that such an agreement shall have any application outside Europe, and in all the circumstances the Commonwealth Government is satisfied that it would not prejudice the interests of Japan.

This apparent solicitude for Japanese interests should not be taken as betokening want of sympathy for China in the aggression to which she has been subjected, or absence of concern at the pressure of Japan upon foreign commercial interests in the treaty ports. On the contrary, Australia had looked to find in China, as well as in Japan, an expanding market to counteract the effects of "autarky" in Europe. The over-riding consideration, however, is that, although the Australian public is not accustomed to anything much in the way of frank discussions of the international risks to which it is subject, most people, if they sat down to think about it, would regard something in the way of a "diversion move" by Japan against Australia as a likely concomitant of an outbreak of war in Europe.

Australia,
July 1939.

SOUTH AFRICA

I. POLITICAL CHRONICLE

THE parliamentary session, which had opened on February 3, came to an end on June 16. It did not produce much constructive legislation. General Smuts was responsible for putting through an important measure to amend the Companies Act. The code of social legislation was extended by the enactment of a Shops and Offices Bill. The process of "rationalising" the marketing of agricultural products was taken a stage further with a new Co-operative Societies Act. No other measure, however, passed into law that could be described as at once constructive and important. A more impressive output in the first normal session of the new Parliament might well have been expected from a Government in so strong a parliamentary position as the United party Government enjoys. It was hampered, however, by the very fact that this was the first normal session of a new Parliament, since the tendency to loquacity of a large number of new members undoubtedly lengthened the proceedings. Moreover it was unfortunate in having to devote a good deal of time to the passing of certain Bills, important in view of the abnormal nature of the present times, but, one would hope, only temporarily necessary. One of these Bills provided for the registration of aliens, another for the amalgamation of the police force of South-West Africa with the South African police, the real object being to legalise the despatch of police reinforcements from the Union to its mandated territory.

This action, it appears, was taken as a result of intelligence received from an oversea source that there was danger of a

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Putsch in South-West Africa. It undoubtedly had a tranquillising effect. But the enabling legislation was vigorously contested by the Nationalist Opposition in Parliament, and helped to confirm it in its policy of neutrality for South Africa at all costs and in all circumstances. For perfectly understandable reasons, there is a considerable body of South Africans—ex-Republicans of the Anglo-Boer war and their sympathisers—to whom the idea of South Africa's being engaged in war on the same side as Great Britain is sentimentally repugnant. That repugnance asserted itself in the rebellion of 1914. The feelings of those days are not yet dead. The Nationalists believe it to be to their political advantage to stimulate them. The neutrality-in-any-circumstances cry is really a demonstration against South Africa's being involved again in a "British" war. The Police (South-West Africa) Bill was fought in the House as constituting a step in the direction of South Africa's embroilment in an Anglo-German war. The occasion, however, extracted a clear definition of the Nationalist position in regard to South-West Africa. The definition amounts to this, that it is desirable that South-West Africa should be an integral part of the Union, but only as a result of negotiation with Germany. If war is necessary to retain it, the Union must not fight.

It was doubtless this assumption of position by the Nationalists which induced Mr. Pirow, the Minister of Defence, shortly after Parliament rose, again to set forth his views on the question of Germany's colonial aspirations in relation to Africa. He holds that neither South-West Africa nor Tanganyika should go back to Germany; that South-West Africa, indeed, must be regarded for purposes of the Defence Act as part of the Union; but that the necessity of "compensating" Germany must be faced. These views have repeatedly been stated by Mr. Pirow as his personal opinion. They have never been endorsed as a statement of Government policy, and there is a large and growing number of Government supporters who are

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strongly opposed to any suggestion of "compensation" that would involve the return of Germany—at least of Nazi Germany—to any part of the African continent.

On the broader question of South Africa's participation in war, no statement of Government policy has taken the matter beyond the Prime Minister's March declaration.* Many of the Government's supporters, especially those of British stock, would have welcomed a clearer statement; but on the whole they are inclined to believe that on "the day", if it comes, the Government can be trusted "to do the right thing".

Apart from the neutrality issue the main weapons in the Nationalist armoury are still anti-Semitism and colour-prejudice. To what was said about the general aspects of these matters in the last issue of *THE ROUND TABLE*† little need be added, save to record that towards the end of the session the monster petition in favour of Coloured segregation, which had been very carefully organised by the Nationalists, was presented to Parliament with close on a quarter-of-a-million signatures. It is necessary to emphasise, however, that the Government's tendency to counter the appeal to colour-prejudice by making concessions to it still continues. Of this the enactment of the Asiatics (Transvaal Land and Trading) Bill provides striking evidence.

The background and details of the Bill are described in a later section of this article. In essence it aimed at pegging down the existing position in regard to Asiatic occupation and trading in the Transvaal pending the consideration of comprehensive legislation. To that end the enactment of the so-called Feetham resolutions,‡ which is necessary to put the law in this respect on a reasonable basis, and which has already been postponed several times, has been delayed

* See *THE ROUND TABLE*, No. 115, June 1939, p. 637.

† No. 115, June 1939, pp. 636, 642 *et seq.*

‡ See *THE ROUND TABLE*, No. 101, December 1935, pp. 184-95, and p. 867 below.

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for a further period. To that end also, save with the consent of the Minister, any extension of Asiatic occupation and trading anywhere in the Transvaal is prohibited for a period of two years. This means that an Asiatic will be debarred from obtaining a new licence to trade simply because he is an Asiatic.

It is to this latter provision, though admittedly it is only of a temporary nature, that the strongest exception has been taken. Two Government supporters, Mr. Hofmeyr and Mr. Blackwell, who were among the keenest critics, have since felt compelled to resign from the party caucus. On no occasion, however, could the opponents of the Bill muster more than eleven votes. Since Parliament was called upon to enact this legislation without the submission of any evidence to prove the existence of an evil of increased Asiatic penetration, and quite obviously as a sop to reactionary colour-prejudice, the objections to it must nevertheless be acknowledged to be well founded.

Towards the end of the parliamentary session the Duke of Devonshire, Parliamentary Under-Secretary to the Dominions Office, arrived in Capetown, and after a few days started on an extensive tour of the Union and the Protectorates. His visit has been described as purely of a private holiday nature. There has been much speculation, however, as to the possibility of its having some motive of an official character. One suggestion is that the visit was not unconnected with the difficulties that have arisen between the Governments of the Union and of India, in which of course Whitehall cannot disinterest itself. Another is that the Duke was sent to glean by personal observation what the Union's attitude would really be in the event of a European war. A more probable view—if an official reason for the visit must be found—is that in some way it was conceived as a preparatory step to the transfer—at least partial—of the administration of the Protectorates.

Of the imminence of such a transfer there is no real evidence. There are, however, those who would connect it

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with the possibility of the Prime Minister's retirement in the near future. General Hertzog has recently celebrated his 73rd birthday; he has also completed fifteen continuous years in the highest office in the Union, receiving congratulations from all over the Commonwealth on that occasion. It is natural that the question of his retirement should be mooted, but it is regarded as unlikely that he would be willing to go unless some positive step had first been taken towards the realisation of his long-cherished dream for the incorporation of the Protectorates in the Union.

Nevertheless, it is likely that a far more potent consideration in holding General Hertzog back from retirement is the question of his successor. Relations between him and the Deputy Prime Minister have been far from happy of late. General Smuts has had to suffer one rebuff after another, and there is reason to believe that he has continued in office only because of his belief in the need to maintain the solidarity of the United party and its Government in face of the danger of war. In any case, it seems that General Hertzog would be unwilling to hand over the reins of office to General Smuts. It seems also that he has marked down Mr. Havenga, the Minister of Finance, as his successor, and it is unlikely that he will retire until he can be assured that this desire of his will be fulfilled.

Meantime there are those who see in the Prime Minister, as one of the signs of increasing age, a leaning towards dictatorial methods. There have been threats of legislation to control the press, the political activities of teachers, and the conduct of public meetings, and of a restrictive reform in parliamentary procedure. Moreover there is an increasing tendency to regiment the United party along lines that do not harmonise with liberal principles. These things are undoubtedly causing much uneasiness in the country, though for the present mainly among the more intellectual section of the community. The fear is growing that freedom of thought, of expression, and of association

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may be endangered; that South Africa may be forced to follow in the wake of the authoritarian States in having imposed upon it what General Smuts once described as a servile, standardised, mass-mentality. Seeds are being sown that may germinate in the formation of a Liberal or Democratic party, which would draw off certain elements from the present United party and at least weaken the Dominion party. It is doubtful, however, whether any positive steps in this direction will be taken while the war-clouds continue to darken the European firmament.

II. ASIATICS IN THE TRANSVAAL

THE legal rights of Indians to trade and occupy fixed property in the Transvaal have recently been reviewed in *THE ROUND TABLE*.^{*} Those reviews brought the story down to July 1936. By that date the position was, briefly, as follows. The ownership of fixed property by Indians anywhere in the Transvaal was illegal. In proclaimed areas on the Witwatersrand not merely ownership but even occupation of fixed property by Indians (or by Coloured people) was against the law. No trading licence could be held by an Indian in illegal occupation of premises. Trading licences could be issued only on the recommendation of (European) municipalities or rural licensing boards who, as a general rule, are not tender to Indian applications.

In 1932 the Government had appointed a commission—the Feetham Commission—to compile a register of all Indian and Coloured persons in legal and illegal occupation of premises on the Witwatersrand. The Commission was to make recommendations, *inter alia*, for the conversion of illegal into legal occupation in specific “stands” (sites) and areas. The Commission duly reported, and in 1936 Parliament passed an Act providing that, subject to a

^{*} No. 101, December 1935, pp. 184-95; and No. 104, September 1936, pp. 853-4.

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resolution of both Houses, Indians and Coloured persons should be permitted to remain in permanent occupation of specified “stands”, and that in certain areas, being previously prohibited areas, Indians and Coloured persons were to be allowed to own fixed property. The resolutions that were to specify these stands and areas henceforth became known as the Feetham resolutions.

In order to give the Government time to act on the recommendations of the Feetham Commission, temporary protection was given to Indians and Coloured persons in illegal occupation of premises on the Witwatersrand. That protection was to last until April 30, 1939. Towards the end of the parliamentary session of 1938 the Minister of the Interior (Mr. R. Stuttaford) introduced the first Feetham resolution. But in the meantime European hostility to the recommendations of the Feetham Commission had been growing in the Transvaal, and, when opposition was offered to the resolution in Parliament by Government supporters and others, the Minister promptly withdrew it. It has not been heard of again.

During the session that has just concluded a new law was passed, known as the Asiatics (Transvaal Land and Trading) Act. In his speech introducing the Bill the Minister of the Interior explained that it was an interim measure designed to “peg” the present position in the Transvaal for two years in order to give the Government time, after consultation with the Government of India, to frame a measure for the “solution” of the Indian problem in South Africa. That solution is to be sought on the lines of residential separation,^{*} that is, segregation. It is certain that European opinion in Natal, where the mass of the Indians live (and must continue to live, since the rest of South Africa will not have any of them), is strongly in favour of segregation. That was made clear once more during the

^{*} The Government is already committed to a similar “solution” of the “Coloured problem”. See *THE ROUND TABLE*, No. 115, June 1939, pp. 642-8.

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debates on the Asiatics Bill. So far as the Transvaal is concerned, its provincial council has recently passed a resolution demanding the complete segregation of Indians.

The first clause of the Asiatics Bill extends the protection given to Indians and Coloured persons in illegal occupation of premises on the Witwatersrand for a further period of two years. This clause was passed without a dissentient voice. Of the clauses to which objection was raised, one prohibits the leasing by Indians from Europeans of any property in the Transvaal after April 30, 1939, except with the permission of the Minister of the Interior. It was pointed out that many Indians live in overcrowded tenements and that it was a serious thing to bar their occupation of additional property, even for two years. A request that the Minister would undertake to administer the clause in the spirit of the 1927 agreement with the Government of India * drew no response.

The clause against which the strongest criticism was directed, however, was that which affected the right of the Transvaal Indian to trade. The clause provides that, unless the Minister gives permission, no Indian may move his business to other premises, nor may any new trading licence be issued to an Indian. The critics rightly pointed out that to talk of this clause as "pegging" the present position was misleading; for the Transvaal Licences Control Ordinance of 1931 provides that a new trading licence has to be taken out whenever there has been a change in the personnel, management, name or nature of a business. In any of these eventualities a new licence must be obtained. Nevertheless, the Minister refused to accept amendments which would render possible, under such circumstances,† the acquisition of new licences by Indians. It was further pointed out that, in the Smuts-Gandhi agreement of 1914, the right of certain Indians on

* See THE ROUND TABLE, No. 67, June 1927, pp. 627-32.

† "Unless the change referred to is in the nature of the substitution of an Asiatic for a European".

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the Witwatersrand, and their successors in title, to move their business or place of residence within the same township had been safeguarded and that this right was now taken away. To the plea that his Bill was in conflict with the 1927 agreement, which promised that the Union Government would try to ease the position for Indians wishing to acquire trading licences, the Minister replied:

It [the agreement] is the kind of windy statement so dear to the hearts of my two predecessors [Dr. D. F. Malan and Mr. J. F. Hofmeyr]. I don't mean that in any nasty sense, but I mean it in the sense that the ordinary man does not know exactly what all these words mean.

The majority of the Transvaal Indian community, with considerable support from Natal, seems to be determined to launch a passive resistance campaign against the Act. The movement for a common non-European front, in which Asiatics and Coloured people would combine with natives to oppose the European rulers of South Africa, has been markedly strengthened. In India public opinion has apparently been profoundly stirred. What line the Government of India is taking is by no means clear. But there can be no doubt that relations between two Governments within the British Commonwealth have been severely strained over this issue. If the Government really attempts next year to "solve" the Indian and Coloured problems by way of compulsory segregation, there may be serious trouble ahead.

III. THE BLEDISLOE REPORT

IT is not intended here to enter into any detailed examination or criticism of the report of the Bledisloe Commission, which last year spent some 4½ months in the territories of Southern Rhodesia, Northern Rhodesia and Nyasaland investigating the desirability or feasibility of what is generally termed "amalgamation". What is

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written here aims only at recording the reception which the report has received in the Union and in Southern Rhodesia.

The main finding of the Commission was against the immediate amalgamation of the three territories concerned. Whilst recommending, under certain circumstances, the union of Northern Rhodesia with Nyasaland, and advising the Imperial Government to accept the principle of the ultimate political unity of these two territories and Southern Rhodesia, the Commission concluded that present differences in political and economic development between the southern unit and the two northern ones, divergencies in native policy, and the sparseness of the total white population, made any immediate political amalgamation undesirable: all that could be considered for the present was the possibility of the amalgamation of certain government departments and the establishment of an Inter-Territorial Commission to co-ordinate existing services and to make plans for economic development.

In the Union the whole issue is regarded with a somewhat detached interest—with less interest, indeed, than it deserves. For if (in fact, though not always by admission) the Union's military security depends primarily on the British fleet, it rests also to an important extent on the security of the bloc of British territories that forms its northern bastion. In a military sense, the Union finds its frontiers on the Equator. Politically, too, the future of the three neighbouring British territories is a matter of great moment to the Union. For some while now, the issue of amalgamation between the Union and the territories to the north has been relegated to cold storage; but if ultimately the Union desires to become the leader of half a continent, instead of a semi-isolated appendage, the problem of closer relations with the changing north must again be faced. And for the present the trend of political and economic development in south central Africa should excite more attention than it does. Union newspapers, it is true, have given adequate summaries of the Bledisloe report, with comment

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on the conclusions reached; but the report itself is almost unobtainable in the Union, and after a brief spasm of interest in the future of the northern territories the mind of South Africa has relapsed, not unnaturally in the present circumstances, into anxious contemplation of domestic problems, created or intensified by events in Europe.

In Southern Rhodesia, however, the report shares the first place with the international situation. The general reaction to it is one of disappointment and, in some quarters, annoyance. The problems involved are exceedingly complex, and the cross-currents of opinion and interests in the three territories are bewildering. The argument is heard that, with all the good-will and diligence in the world, the few months which the Commission gave to its investigations, whilst adequate perhaps for the collection of views and data, were hardly sufficient for acquiring the experience that comes from living with the problems, and that alone makes possible a true assessment of the value of data so extensive and opinions so diverse. The feeling is also encountered that the Commission came to confirm certain preconceived views rather than to learn, to tell rather than to hear.

More generally, there is a sense of disappointment among the inhabitants of this self-governing quasi-Dominion that the fulfilment of a rather grandiose dream is postponed. Southern Rhodesians are keenly conscious of growing nationhood and of the privileges of self-government; the ideal of a great Rhodesia, which, according to circumstances, might partner or replace the Union of South Africa in the leadership of white southern Africa, has for many a certain gospel-force that tempts them to press on without counting the cost. The acquisition of the copper-belt and of a greatly increased labour reserve, the possibility of obtaining ultimately the cession of the northern part of the Bechuanaland protectorate and thereby a closer approach to the western sea, are factors that might seem to reinforce a political ideal with material economic advantages. Less

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account is taken of the disadvantages—of the fluctuating value, for example, of the copper-belt asset; of the increased burden involved in extending the scope of administration and defence, and of social and educational services, over great areas and populations which, if nominally self-supporting, have hitherto been in the last resort the responsibility of Whitehall; of the greatly increased disproportion between white and black population that would result from the accession of some 3 million natives and only some 13,000 whites; of the difficulty of harmonising two divergent native policies and of reconciling the reluctant natives of the two northern territories to any change of policy or status. One must admire Rhodesians for the impulse to move forward and to move together; but one cannot avoid feeling that, with the exception of a more far-sighted minority, they have not fully counted the cost.

Be that as it may, there is a prevailing sentiment at the moment of disappointment, in varying degrees, at hopes deferred—a sentiment found not exclusively among the white population but also, oddly enough at first sight, among some sections of native opinion. These had seen in the accession of another 3 millions of natives to the present population of their country the prospect of a strengthened and united front against the existing native policy of Southern Rhodesia, which, if milder than that of the Union, betokens something of the same outlook.

Union of South Africa,
July 1939.

NEW ZEALAND

I. LABOUR DISAGREEMENTS

AN advantage enjoyed by conservative political parties is that the preservation of the *status quo* demands as little legislative activity as possible, with the result that individual differences in point of view are rarely brought to a head. The converse disadvantage suffered by radical political parties, particularly when they are in office, is that change always throws into relief differences of opinion both as to objective and as to method—differences that are apt to crystallise into dissenting groups within the party. The recent history of the New Zealand Labour party illustrates the foregoing generalisation. Not long before the general election of October 1938 it was rumoured that a pronounced Left wing had made its appearance under the leadership of Mr. J. A. Lee, M.P., and that Ministers were seriously concerned about the possible outcome. Mr. Lee, it should be mentioned, has had a long association with the Labour movement in New Zealand; he is an able parliamentarian and is known outside the Dominion as the author of *Children of the Poor*, *Socialism in New Zealand* and other works. Clearly a revolt led by him was not to be underrated, and opponents of the Government waited in reasonable anticipation of a first-class row.

Rumour, so often a lying jade, proved on this occasion to be reasonably correct. The disaffection culminated in the circulation of the now famous "Lee Letter" in December 1938. This document, since acknowledged to have been written by Mr. Lee, contained a strong criticism of the Government in general and the Minister of Finance, Mr. Nash, in particular—the gravamen of the charge against

the latter being conservatism, lack of imagination, financial orthodoxy and procrastination. Mr. Lee has stated that the letter was intended for private circulation amongst members of the parliamentary Labour party, but it is somewhat extraordinary that a politician of Mr. Lee's experience should not have realised the impossibility of preventing this sort of cat from getting out of the bag. At any rate, the country was soon clattering with the typewriters of supporters of the National party making copies for distribution, until anybody who wanted to read the "Lee Letter" could be certain of finding somebody who could lay his hands on a copy.

The test came, as everybody knew it would, at the Labour party conference, which meets annually at Easter and discusses the main outlines of party policy. It then appeared that although every politically minded Nationalist had heard of the "Lee Letter", even if he had not read it, its existence came as a surprise to many of the delegates at the conference. The letter was therefore read out and a debate followed, the chief rival champions being Mr. Lee and Mr. Nash. The matter in dispute between them was clear, despite a number of side issues. Mr. Lee's point, roughly speaking, was that the party's social objective could not be reached on the basis of Mr. Nash's financial orthodoxy, and that Mr. Nash, by trying to make the best of both worlds, was likely to end by rendering the existing system unworkable without providing anything to take its place. Mr. Nash replied in a speech which even supporters of Mr. Lee admit to have been effective. In the course of it, answering one of Mr. Lee's criticisms, he raised for the first time the point that it would have been impossible to introduce import control earlier because this policy infringed the Ottawa Agreement, a course that had to be avoided as long as possible. The honours in the debate appeared to be pretty even, and the outcome might possibly have been a vote in Mr. Lee's favour had not the Prime Minister (Mr. Savage) announced that he proposed

to take the vote as one of confidence or no-confidence in the Government. This, of course, was a bird of a different feather, and it is hardly surprising that the resulting vote on a show of hands was a victory for the Government, though only by 285 votes to 207. Even so, it was significant that over 100 delegates abstained from voting.

The conference remits, on the whole, were moderate—indeed conservative by comparison with those passed in the days before the Labour Government took office. This moderation was due, no doubt, to a desire not to cause the Government unnecessary embarrassment. The "Lee Letter" episode notwithstanding, the general opinion seems to be that the Government came away from the conference with its hands considerably strengthened. Criticism of its policy undoubtedly exists within the party itself, but so far there is no indication that the presence of a critical section will affect the outward solidarity of the party. As far as the rest of the world is concerned, the fact must be accepted that the Labour party is strongly entrenched, and that any criticism of the Government from within the ranks of the party itself is founded, not on the Government's excessive radicalism, but on its alleged conservatism. The broad result seems to be that while the Government is committed to continuing its policy of social amelioration, as instanced by the social security legislation, the 40-hour week, the pursuit of a higher standard of living and so on, it is also committed at present to a financial policy that is not fundamentally socialist, although it cannot be said to be entirely orthodox. The question is, of course, whether such a social policy can be financed upon the present basis. There is a widespread but certainly not a universal belief that the Government may have reached a point where the road forks. If it decides to follow the path of financial orthodoxy, it must call a halt to its social legislation, and even perhaps retrace some of its steps; if, on the other hand, it is determined to pursue its general social policy,

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it must cease to depend upon an economic machine which is, in the last resort, in the control of private capital. There may, of course, be some middle road; but if so it is not at all obvious at the moment.

II. THE PROBLEM OF FINANCE.

AN article in the last issue of *THE ROUND TABLE* * described how the Minister of Finance had sought to deal with the decline in London funds, which had dwindled from a total of £40,900,000 in 1935 to £7,300,000 in January 1939.† For the second half of 1939, Mr. Nash announced an extensive and detailed list of import restrictions. These provide for the total exclusion of certain classes of goods, such as furniture, linoleum, baths, lead; whilst permissible imports of other classes of goods are reduced by fractions ranging from $33\frac{1}{3}$ to 75 per cent. In practically every instance where cuts have been made, preference has been given to the United Kingdom and the crown colonies. The policy of import restriction has not so far resulted in any appreciable improvement in the exchange position. Indeed, in practice, it has not yet become effective, mainly because business interests, fearing undue restriction in the future, applied for licences to import in advance of their trade requirements, thus offsetting the intended limitation. The following table shows the position in the last two months for which figures are available.

		(In £NZ million)				
		1935.	1936.	1937.	1938.	1939.
Total Imports						
April	.	2.843	3.038	4.606	4.907	3.777
May	.	3.024	3.246	4.441	4.184	5.338
Surplus of Exports over Imports						
April	.	1.057	2.518	4.060	0.092	1.155
May	.	1.302	1.829	1.484	2.088	1.300

* No. 115, June 1939, p. 649.

† Unless otherwise stated, sums are expressed in New Zealand currency.

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At first glance, these figures might not seem particularly unsatisfactory; but it must be remembered that the first five months of the year are the season when receipts from the Dominion's primary produce should come in. Later in the year the balance of trade is always adverse.

If the import-export position is somewhat unsatisfactory, the position in regard to overseas funds is worse. Between April and May the total of overseas funds of the Reserve Bank and the trading banks fell from £9 million to £7,394,000. The steady decrease in overseas funds during the last four years has not been due only to excessive importing. The flight of capital has been estimated by one authority to have accounted for £23 million between March 1935 and March 1939.

The position in a nutshell is that, whilst the value of exports shows a tendency to drop, the import-control measures are not likely to have any marked effect for some little time. Add to this the fact that the Government is committed to an increased expenditure on armaments, and it will be seen that a substantial deficit seems inevitable. In these circumstances nobody was particularly surprised when the Government suddenly decided to send Mr. Nash to London to discuss the financial situation. Actually Mr. Nash's requirements on this visit fell under three heads. He required, first, means to re-finance the loan of £17 million sterling falling due in 1940; secondly, a loan to cover the Dominion's armament imports; and, thirdly, a general loan to enable the import restrictions to be somewhat relaxed, and to meet existing commitments.

Opposition circles are not unnaturally saying "I told you so", and arguing that the Government is suffering for an extravagant and thriftless policy. In their view the British Government would be fully justified in refusing to guarantee a loan, and the British investing public would be displaying no more than ordinary wisdom in hesitating before entrusting its money to so profligate a Dominion. And criticism of one sort or another is by no means

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confined to Opposition circles. Among supporters of the Government the view is freely expressed that Mr. Nash should have realised that the Government's social policy was bound to lead to a drain on London funds, and that import control should have been introduced three years ago. Many Labour supporters, however, are inclined to the belief that British business and financial interests have tried to exploit the situation in order to discredit the Labour Government. They are, of course, aware that the British Labour press and several usually well-informed weekly journals have made allegations of unfair tactics against the Federation of British Industries and other business organisations reported to have the ear of the British Government; and when a journal so critical of New Zealand's financial policy as the *Economist* goes so far as to say that it is "hard to justify the attitude of the Federation of British Industries", some colour is lent to the charge of unfairness. Whether or not there is any truth in the suggestion, it is unfortunate, particularly at the present time, that even a rumour to that effect should gain currency.

III. DEFENCE IN THE PACIFIC

THE second quarter of 1939 has witnessed a stiffening of public opinion upon the question of defence. The realisation has been growing that it is absurd for Australia and New Zealand to raise their voices too loudly in the councils of Europe when they are neither able nor particularly willing to make any effective contribution to enforcing the principles which they advocate. Moreover, the fact is gaining recognition that, in the event of a serious conflict in Europe, England may be so preoccupied with her own defence problems that she will be unable to render any effective assistance if trouble arises simultaneously in the Pacific. New Zealand has consequently been forced to contemplate two possibilities: one is that

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her territorial security may be threatened; the other is that she may find herself temporarily cut off from external markets. The first contingency, in the light of geographical considerations, is still remote, but the second appears to be within the realm of early possibility. It has directly contributed impetus to the drive to build up essential secondary industries wherever possible. The announcement that an English company is to build aeroplanes in New Zealand has been welcomed in the Dominion, and is an illustration of the tendency mentioned.

In consequence of the increasing awareness of international tension, there has been widespread discussion upon the question of defence. At the invitation of the New Zealand Government, representatives of Great Britain and Australia met New Zealand representatives at Wellington to confer upon imperial defence in the Pacific region. Such a conference in New Zealand was unprecedented. The United Kingdom delegation comprised Sir Harry Batterbee, the High Commissioner, Air-Marshal Sir Arthur Longmore and Major-General P. J. Mackesy; and the Australian delegation Vice-Admiral Sir Ragnar Colvin and Colonel V. A. G. Sturdee. The proceedings of the conference, which lasted some ten days, were not, of course, made public. From all accounts, however, it appears to have been a complete success, and a substantial measure of agreement was apparently reached upon the main topics of discussion. Upon his departure Sir Arthur Longmore particularly expressed himself as satisfied both with the results of the conference and with New Zealand's plans for defence.

The Minister of Defence, Mr. F. Jones, has since stated that the conference did not recommend conscription or compulsory military training, but did recommend that the territorial army be increased from 9,000 to 16,000 men. It seems that steps have been taken to arrange for the suggested increase, which is a matter not so much of recruits as of facilities and instructors for training them.

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Despite the fact that the Pacific defence conference did not recommend compulsory military training, there is a strong belief in many quarters that some system of compulsion should be introduced, and propaganda in favour of this view is much in evidence. It is unlikely, however, that compulsion will be adopted in time of nominal peace, particularly since the party in power is opposed to conscription on principle. The Prime Minister gave an indication of the official attitude when he announced that the Government intended to call on the people to form a National Military Reserve of 50,000 in readiness for any emergency. This announcement was welcomed as good, if belated, news by those sections of public opinion which have been calling for more military preparedness, but the majority of the people probably regarded the prospect of intensifying our defence preparation without enthusiasm. At any rate, although the Prime Minister has repeated his appeal on numerous occasions, and although considerable publicity in the press and from the platform continues to be given to the problem of increasing the Dominion's defence forces, the response has not been entirely satisfactory. Up to the present approximately 10,000 persons have joined the National Military Reserve.

This does not mean, however, that the problem of defence is being neglected. It has been tackled energetically although not perhaps from the angle best understood by the advocates of compulsory training. The territorial army, as distinct from the National Military Reserve, has grown at a satisfactory rate, and the figure of 16,000 is likely to be reached in the near future.

Meanwhile, the construction of military aerodromes, the importation of bombers and fighting machines, the gradual mechanisation of the army, and the drive to build up essential secondary industries continue steadily if unobtrusively. It may not be out of place to mention, in passing, that New Zealand has partially trained and sent to England a number of air pilots, most of whom would be

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available for the defence of Great Britain in the event of war in Europe.

During the last twelve months or two years there has been a marked quickening of interest in international affairs. This has been reflected in the increased sales of English and American political periodicals and in the growing popularity of the works of political writers such as Gunther, Gedye, Douglas Reed and others. The fact that the majority of these periodicals and writers are highly critical of Mr. Chamberlain's policy has to some extent counteracted the marked tendency of the press in New Zealand to print almost exclusively views and reports favourable to the United Kingdom Government. During the present quarter the sale of political literature of various sorts has received a further impetus, due, no doubt, to the deteriorating international situation.

IV. SOCIAL SECURITY

THERE was a time when New Zealand's politics were regarded as dull and uninteresting: the only real difference between rival politicians was supposed to be that one lot was in office whilst the other was out. That is all changed now. Economics has become as exciting as international football and just as acrimonious. When we get tired of the guaranteed price, loans in London, the use of public credit and the Reserve Bank funds, there is always social security. The Social Security Act was put upon the statute book in 1938 with the intention that it should come into operation on April 1, 1939. The Act represents an attempt to deal comprehensively with the problem of economic insecurity, and as such it has aroused some interest outside the Dominion. It aims at providing a measure of insurance against old age, sickness, unemployment and other disabilities. A general statement of the benefits provided appeared in a previous issue of

THE ROUND TABLE.* These have not since been varied or altered to any extent.

Under this scheme it is compulsory for every person over the age of 15 to register and pay a registration fee of 5s., the fee being remitted in special cases, including students. Every male person over the age of 20 must pay a levy of £1 per year and 1s. in the £ on all wages and income. (This charge of 1s. in the £ takes the place of the former unemployment tax of 8d in the £). It was generally anticipated that a contribution from the Consolidated Fund would be required, in addition to the contributions already being paid under the pensions legislation. Even so, doubt exists in many quarters whether the resulting fund will be sufficient to meet the calls upon it. As against this, however, there is the possibility that taxation (including the social-security levy) will yield a larger sum than anybody anticipated. There is little or no doubt that in the past evasion of payment of the unemployment tax has been very prevalent, simply as a result of failure by persons not liable for income tax to make any returns of income. Now, however, compulsory registration, the strict obligation placed upon employers to deduct the social-security tax from wages, and the comprehensive nature of the inquiries made, render evasion practically impossible. Incidentally, the yield from income tax this year is likely to show an increase, since apparently many wage-earners in the higher income groups, whose unemployment tax has been deducted from their wages, have never made any income-tax returns.

Apart, however, from any question whether or not the scheme is soundly financed, and granting that it is bound to undergo various changes from time to time, there can be no doubt that in principle it has come to stay. It is the type of social legislation which it is impossible to repeal, because whatever criticisms may be levelled at the social ideal itself, or at the method of financing the particular

* No. 112, September 1938, pp. 856-863.

scheme, the legislation is undoubtedly the result of a genuine popular demand for some sort of collective economic security.

In addition to the provisions relating to old age, sickness and other benefits, the Act also contains a scheme for providing for free medical attention. This part of the Act has attracted a great deal of criticism from a variety of angles and has caused considerable conflict between the Government and the medical profession. Briefly, the Act provides free general-practitioner service but enables the individual to choose his own doctor. The doctor is to be remunerated in accordance with the number of patients on his panel, irrespective of whether his services are required or not. There is, of course, to be a limit to the number of patients who can be included in the panel of any one practitioner, which means that some people must necessarily be unable to secure the services of the medical man of their choice and will have to be content with somebody else. The scheme has met with strenuous opposition from the New Zealand branch of the British Medical Association, which has so far flatly refused to co-operate. The doctors object to the scheme because they say it will destroy the atmosphere of confidence that has hitherto existed between patient and doctor. Moreover, they point out that the limit to the number of patients who can be on any one doctor's panel means in effect a limitation of incomes. This limitation of incomes will, they say, result in a lowering of the standard of medical efficiency. To these objections the Minister of Health, Mr. Peter Fraser, has replied to the effect that there is no reason why the scheme should destroy the peculiar relationship that has existed between doctor and patient: that the income which the medical profession as a whole will receive will be in excess of its present united income; and that there is no reason why the existence of an implied income limit should affect the standard of efficiency.

The public generally does not appear to be violently

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partisan. It is freely remarked that if the Government had shown a little more wisdom they would have arrived at some sort of understanding with the medical profession before launching the scheme. On the other hand it is pointed out that the British Medical Association has confused the issue by talking of the interests of the community in health matters as though these were necessarily identical with the economic interests of the medical profession. But, whatever the merits of this controversy, there is no doubt of the determination of the medical profession in their refusal to co-operate. Only a very small proportion of practitioners have so far signified their willingness to take part, and the position at the moment is one of stalemate.

A few words upon the broader issues may not be out of place. The Government's idea that the medical profession should be paid to keep their patients well and not merely called in to deal with illness when it has arisen is undoubtedly sound in principle. And it is difficult to see how the services of the medical profession can be utilised in this way, unless they are to be remunerated in accordance with some collective plan. On the other hand it is obviously undesirable that a doctor should have to accept as patients persons whom he may not wish to treat, and it is equally undesirable that the public should be limited in their choice of doctors. On this last point, however, it is sometimes necessary for the better-to-do people to remind themselves that the poorer people have little or no choice of doctors as things are now.

As far as the general political and economic position of New Zealand is concerned, whatever the Dominion's financial difficulties may be, and making all allowance for circumstances that may force her back towards a more conservative policy, one important factor should not be overlooked. The future will be conditioned by the past and the present, and in both the past history and the present politics of New Zealand the tendency towards

SOCIAL SECURITY

social experiment in the interests of the poorer classes looms large. A conviction that the community as a whole can and should make provision for those who by reason of unemployment, accident, sickness or old age are unable to provide for themselves has always existed. The depression, bringing as it did hardship to the doors of many who had previously taken their own economic security for granted, was responsible for a spreading and deepening of this conviction. Whatever may be the merits or demerits of this attitude, it constitutes a fact in New Zealand politics which no political party can afford to overlook.

New Zealand,
July 1939.

OFFICIAL PUBLICATIONS ON BRITISH COMMONWEALTH AFFAIRS

THE ROUND TABLE prints every quarter a list of official papers, published under the authority of the different Governments and Parliaments of the British Commonwealth, on matters of common concern to the member nations of the Commonwealth, or on the internal affairs of the Dominions, India and the colonies in so far as these are of outstanding interest to their fellow members. The list below covers a three-months period ending, for the United Kingdom and Ireland, at July 31, and for the other countries at earlier dates. United Kingdom publications may be obtained from H.M. Stationery Office, Dominion and Indian publications from the respective government printers or through the High Commissioners' offices in London; any publication may be obtained through THE ROUND TABLE, 2 Paper Buildings, Temple, London, E.C.4. Unless otherwise stated, postage must be added to the prices quoted.

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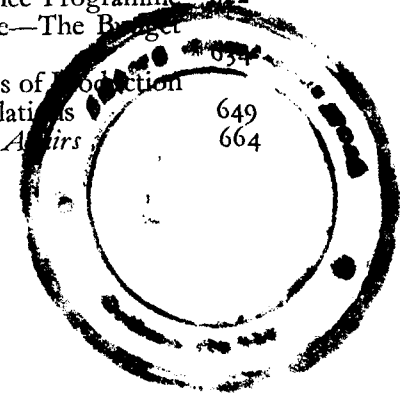
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The price of THE ROUND TABLE is 5s. or \$1.00 per copy, and the annual subscription (including postage) 20s., in U.S.A. and Canada \$4.

Covers for binding volumes, 3s. 6d each, and back numbers, price 5s. (except three or four out of print), can also be obtained from Messrs. Macmillan & Co., Ltd., London.

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A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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No. 117. December 1939 Price 5/-
London: MACMILLAN & CO., LTD.

Printed in Great Britain and entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec. 397, P.L. and R.).

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WAR AND PEACE

I. 1914 AND 1939

THE British Commonwealth is again at war, again with Germany, and again in defence of freedom. To most of us, and especially to those who are old enough to remember the last war, this mere fact of repetition must seem the most shocking feature of the whole catastrophe. Only twenty years ago we emerged victorious from a test of strength and endurance far greater than any previous war had imposed on those who fought it. We had lost the flower of our generation. We had dissipated a large part of the wealth accumulated in long years of peace by the skill and labour of our peoples. Our society had suffered injuries, moral as well as economic, which it would take a long time to repair. But for all that there was one deep source of consolation. Most of us believed that the triumph of freedom was final, that the world had indeed been made "safe for democracy", that the "war to end war" had ended war. There were few of us, it is safe to say, who did not think, when the bells rang out for the armistice, that there could never be another big-scale war. And, if that were so, our sacrifices had at any rate not been useless. We had bought at a terrible price the chance of making a better and more prosperous world. And then the chance was frittered away. In less than a generation the same ordeal has to be endured again; and, though, of course, the main fault lies with the enemies of freedom, its champions must bear their share of blame. Future historians of this age will marvel at the manner in which the victors of 1918, equipped as they then were with irresistible power on land and sea and in the air, allowed the course of international affairs so to develop as to make it possible

within so short a time for their defeated and disarmed antagonist, not merely to challenge the peace settlement they had imposed, but to force them into another desperate fight for their existence. It may be left to those historians to unravel the complex of idealism and selfishness, of good intentions and bad judgment, of illusion and inertia, which accounts for our and our allies' share of responsibility for this catastrophe. This is not the time to define and apportion the blame. All that matters now about our conduct in the last twenty years is the first and simplest lesson to be learned from its result. We start this war knowing that it will not be enough to win it. The fruits of victory must be secured. That lesson does not need teaching twice.

There is another reason for not dwelling overmuch on the recent past. To fix one's attention on Versailles and its sequel is to run the risk of forming too short-range an opinion of the cause of this second conflict and to overlook its similarity, its virtual identity, with the cause of the first.

The cause of both the tragedies originates as far back as the middle of last century. In 1850 it was at least conceivable that democracy and nationality, the twin forces born of the age of the American and French Revolutions, would succeed in building up a new system of liberty and peace in Europe. But it was essential that they should work in unison, and, when the divided German people, potentially the strongest people on the Continent, were inspired by the principle of nationality to unite themselves in a single national state, they failed to establish it on a democratic basis. If the German Liberals had been less enthusiastic and more hard-headed, less doctrinaire and more practical, they might have held their own against the forces of reaction. As it was, the Prussian spirit, still living in the dead past of its hero, Frederick the Great, still believing that the people existed for the state, not the state for the people, and that the state existed primarily to maintain and strengthen its military power at the expense of neighbouring

states—this Prussian spirit, incarnate in Bismarck, determined the nature of the new Germany. Such matters, Bismarck said, were not decided by parliamentary resolutions, but by blood and iron, and he proceeded to weld Germany together by making three wars in seven years, the wars with Denmark, Austria, and France. The outcome was a *Reich* in which Prussia and the Prussian spirit, instead of, as the Liberals had hoped, being absorbed by, had absorbed the more free-minded, less militarist Germans of the Rhineland and the South. But Bismarck knew where to stop. If he had continued to control the foreign policy of the new German Empire, it is improbable that he would have provoked another major war. He wanted time for the new imperial structure to solidify and to digest the territories it had snatched from Denmark and France. He was therefore content to keep Germany safely at peace by fostering quarrels between her rivals. But in the very triumph of his earlier policy lay the seeds of its undoing. The imagination of the German people had inevitably been coloured and inflamed by the events of 1870-71. They were "drunk with victory", it was said. They had become so easily a Great Power. Was it much more difficult to become the Greatest Power?

By the end of the nineteenth century the Prussian masters of the *Reich* had made up their minds that the twentieth century should "belong" to Germany. Her old heritage of music, poetry and philosophy, her new prestige in the world of learning, the leading place she had already won in industry and trade—all that was not enough, and soon the extravagant idea was taking root that the only alternatives for the future of Germany were, to quote the title of a notorious book, *Weltreich oder Niedergang*, World Empire or Downfall.

That meant, of course, an open challenge to the British Empire and it was openly made. The purpose of the great navy which Germany began to build in 1900 was to contest—it was practically stated in so many words—the command of

the sea with Britain. "Our future", said the Kaiser, "lies on the water." German officers frankly drank to "the day" when Britain would suffer the fate of France. It became steadily clearer, not indeed to the average British citizen in this country or overseas, who refused to believe in the notion of an "inevitable" war, but to close students of international affairs, that Germany was bent on pressing her claims to an issue; and it is interesting to recall that the first article in the first number of *THE ROUND TABLE*, published in September 1911, was entitled "Anglo-German Rivalry". "The central fact", it began, "in the international situation to-day is the antagonism between England and Germany"—an antagonism, it went on to explain, which was not so much a conflict of interests as a conflict between two philosophies, between two systems of ordering human affairs, between the pursuit of freedom and the pursuit of power. There were two possible ways, it was being said, by which the issue of this conflict into open war might be avoided. The movement for universal peace might achieve its end in general disarmament, or the German people, already restive under the tyranny of the bureaucracy and the military caste, would reject the dream of world-dominion and all the sacrifices its fulfilment must entail. *THE ROUND TABLE* refused to put its trust in either of those hopes. "Peace and her safety, England sees clearly enough (but did she? one wonders now) depend on her maintaining armaments of such strength that it is hopeless for Germany to put her future to the arbitrament of war." And in considering what that strength should be (the article continued), it was well to remember what the Germans thought.

If ever it comes to a struggle between them and us, they are confident of victory. They believe that they embody the vital civilisation of the day. . . . The Anglo-Saxon world, they point out, is full of the talk of disarmament, of peace as the supreme necessity of the time, of material well-being as the central aim of

collective security. Such a creed, they say, is bound to go down before the idealism of Germany.

The sequel does not need re-telling. The war came and engulfed the world against the will of the vast majority of its inhabitants. That fact unquestionably emerges from the mass of meticulous research that has been devoted to the subject. It was Austria that actually precipitated the war, but Germany could have prevented it, and, whether or not she had wanted it to come precisely when it did, she had prepared for it and meant to have it at the first favourable opportunity. Causes, of course, do not operate *in vacuo*. They are helped or hindered by the circumstances in which they arise. And in the sense in which individual crimes are the outcome of social conditions, the war was the outcome of an imperfect organisation of international society. That was, so to speak, its negative cause, for which all the nations were more or less responsible. But the positive cause of the greatest injury that had so far been inflicted on mankind was the subjection of the German people to the Prussian creed of power.

There is no need, similarly, to re-tell the sorry story of what happened when we fondly supposed that "the military domination of Prussia" had been "wholly and finally destroyed". It is enough to point out how closely, though in grimmer form, the history of the first pre-war period has been repeated in the second. Again democracy had a chance in Germany. At one time it seemed not impossible for the "Weimar Republic" to grow into a great liberal state. But once more those forces in Germany which shared in the common ideals of Western civilisation were overborne by the old creed of blood and iron. And in far more intense and brutal shape now, and far more swiftly, the old German threat to the peace and freedom of Europe was renewed. The sequence of events was much the same. First, the concentration of the whole national life on preparation for war, and then the creation of a greater *Reich*

WAR AND PEACE

than Bismarck had achieved, not indeed by three wars, but by three acts of force which were only not acts of war because they were not resisted. Up to a point, too, the reaction of the British Commonwealth to these developments was the same as before. When the war was won and the men who had made it gone, the British instinct was to make friends with a people with whom there had always seemed to be more of a sense of kinship than with any other European people; and even after the Nazi revolution most of us again refused to believe in the inevitability of war. If the glaring vices of the Nazi system could not be ignored, there were those who praised what seemed to be its virtues—its direct and triumphant appeal to the sense of public duty, its attempt to override the barriers of class, its energy and drive. There was, moreover, one point of contrast with the earlier situation. So far from openly challenging British sea-power, Herr Hitler concluded a naval treaty, limiting the size of the German Navy to about one-third of the British, and declared it to be a proof that he would never go to war with Britain. Unfortunately, however, that stroke of policy was capable of two interpretations. It might have been meant as the first step towards a general European reconciliation, and it might have been meant as an attempt to persuade Britain, her own security assured, to leave Germany to pursue unchecked a very different course. Herr Hitler, indeed, had stated in *Mein Kampf*, with startling candour, that he wanted an alliance with Britain so that "France, the mortal enemy of Germany, would be isolated". And yet British Ministers did not lightly abandon the more charitable interpretation. Visits were paid to Berlin. Assurances were given that any German grievance would be considered and as far as possible redressed in the negotiation of a new all-round settlement. Even when Herr Hitler proceeded to nullify by unilateral action some of the basic clauses of the Treaty of Versailles, when he reoccupied and fortified the Rhineland, when he enforced the Austrian

COMMONWEALTH OR "WELTREICH"

Anschluss, when finally he tore away the Sudetenland from Czechoslovakia, we let him have his way. There still seemed a chance that Herr Hitler might be content with the inclusion in *Gross-Deutschland* of all the contiguous territories inhabited by a majority of Germans, and that he was not really bent on reviving those wider ambitions which had brought his Prussian predecessors to disaster. Those hopes were shattered on the Ides of March. The seizure of Czechoslovakia could only be explained as a strategic move, as the removal of an obstacle to further projects of aggression. Herr Hitler was now free to seek the wider *Lebensraum* he claimed, either eastwards through Poland and the Ukraine, or southwards in the Balkans, or, his eastern flank secure, he might gather his strength for the final reckoning with France he had so frankly and fiercely predicted. And what then? It was clear now what all those protestations of friendship and common interest with the British Empire really meant. It was as clear now as in 1914 that the German dream of conquest was not limited to Europe. "The rare moment has come", Dr. Goebbels had said, "for the world to be apportioned anew." *Heute gehört uns Deutschland*, runs a marching song of the Hitler Youth, *morgen die ganze Welt*. "To-day Germany belongs to us, to-morrow the whole world."

II. COMMONWEALTH OR "WELTREICH"

IT is, of course, because Britain, with the overseas members of the Commonwealth behind her, is the greatest obstacle to a German *Weltreich* that its exponents have nourished in their own hearts and done their best to spread among the German people a bitter hatred of this country—a hatred that is curiously blended with respect. There is no reason to doubt the sincerity of Herr Hitler's tributes to Britain and the British Empire, nor to doubt either his desire for its ultimate destruction. In particular he resents

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its size. Again and again in recent years he has pointed the contrast between 40,000,000 square miles under the British flag and 800,000 under the German; and in the utterances of his lieutenants or the caricatures of his press again and again the picture is drawn of John Bull, the man of great possessions, clutching his money bags, while the poor and hungry German looks enviously on.

This conception of the British Empire calls for a brief examination if only because it is not confined to German minds. There are neutral observers who still talk about British imperialism as if the Empire were still an empire in the old sense of the word, as if Britain "possessed" a quarter of the world. A century and a half ago such language would not have been altogether inappropriate. To say, indeed, that George III and his Ministers regarded the American Colonies as a sort of "possession" is one way of stating the cause of the American Revolution. But that catastrophe, as everyone knows, set in motion a new current of imperial policy which, gaining strength from the liberal ideas of the nineteenth century, grew with the growth of a second British Empire and transformed it into the Commonwealth we know to-day. Is it, one wonders, yet fully understood abroad that the Dominions are now sovereign independent States, standing on a footing of complete equality with Britain, only associated under one crown of their own free will? If not, the lesson of what happened on the outbreak of war is plain to read.* In the first place the instant decision of the Dominions was quite obviously not due to British pressure. In 1939 as in 1914 Canada, Australia, South Africa and New Zealand joined in the war because the ideals and interests for which Britain was fighting were their own national ideals and interests. Secondly, they were free to choose. It was a question for their own Governments and Parliaments to decide. If any of them had declared themselves neutral, Britain would

* See the articles from the Dominions printed below.

COMMONWEALTH OR "WELTREICH"

have respected their neutrality as fully as that of the United States—or of Ireland. In South Africa and in Ireland the situation is different from that of the other members of the Commonwealth, and for a simple reason. The Afrikaner majority in the Union and the Catholic Irish did not, so to speak, grow up into the Commonwealth; they were conquered into it. That happened, also, to the French Canadians, but so long ago that the bitterness which all such happenings must leave behind them is now dead and gone. When the Quebec Government, a few weeks back, virtually declared for isolation, French-Canadian public opinion swept it away.* In South Africa, however, those memories are little more than a generation old, and it is not altogether surprising that General Hertzog should have wanted the Union to be neutral if only, perhaps, for a time and to demonstrate her independence, though the majority of the Union Parliament preferred to follow General Smuts and set South Africa beside her sister Dominions in defence of their common freedom.† In Ireland the memories are younger still, and Mr. De Valera's attitude‡ will not be challenged or resented by any Englishman who knows and has pondered the past. He will observe, rather, that this is the first occasion on which the great majority of Irish nationalists have not acted up to their historic maxim: "England's difficulty is Ireland's opportunity." The unity of the Commonwealth, in fact, as THE ROUND TABLE always predicted, has not been weakened, it has been strengthened by the culmination of its growth to equal freedom in the Declaration of 1926 and the Statute of Westminster. And the resulting common war-effort is impressive, even more impressive than it was in 1914. The white population of the Dominions then numbered roughly 15 million; it is now well over 20 million; and their industrial equipment has

* See p. 181, below.

† See pp. 200-9, below.

‡ See the article on *Neutral Ireland*, pp. 134-47, below.

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grown proportionately faster than their man-power. It is a formidable fact that the production of aeroplanes in Canada and Australia is now going on side by side with the huge production in Great Britain. Still more striking is the scheme for the final training of pilots in the heart of Canada, where, safe from molestation by German bombers, young airmen, not only from the other Dominions but from this country too, will be trained together.* Meantime, for the direction of the common effort, Ministers from all the Dominions have already arrived in London, not to constitute as in the last war an "Imperial War Cabinet"—that was always a misnomer and is not needed now—but for consultation with British Ministers which will be none the less close and effective because it is informal.

Most foreign students of politics have come to regard this Commonwealth of Nations as a highly successful experiment in international relationship and a useful contribution to world order. But the Nazi mind is incapable of understanding it. The Declaration of 1926 was interpreted by Nazi publicists as a sign of weakness, a "most conspicuous surrender of power", a proof that England had lost "the flair to rule", a "passive renunciation of world-dominion". And to what conclusions do these curious notions lead? "England is now only a pseudo-Power. It will be well, if possible, to make an end of the fiction by peaceful evolution. But, if there must be an appeal to arms, there is no need to fear it. The very day war broke out, it would become manifest that Great Britain had already lost her world dominion."† How tragically—and significantly—reminiscent of those confident assumptions of 1914 that the British Empire had already broken up, that the Dominions were too deeply steeped in selfish materialism to fight for any cause in Europe! Clearly the type of German mind which is domi-

* See p. 230, below.

† H. Rauschnigg, *Germany's Revolution of Destruction* (translated from the German, London, 1939), pp. 203-5, 216-17.

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nant in Germany, now as then, is quite unteachable. The Prussian-Nazi doctrinaires, indeed, are logically obliged to despise and deride the Commonwealth and prophesy its doom. For it violates all the canons of their creed. It stands for government by consent and discussion. It believes in variety, not uniformity. It holds, for example, that the national traditions of England, Wales and Scotland have happily been woven into a common British heritage without losing their own particular strength and beauty, and that Canada is the richer for being able to develop her New World culture out of the languages and literatures of two Old World peoples. In its dealings similarly with foreign nations it desires to apply the principles which regulate its own international relations—equality of status, not ascendancy; discussion and agreement, not force. But in Nazi eyes, blinded as they are by a mystical faith in the predetermined right of the so-called Nordic people to subject all others to their will, to think like that, to want to live like that, betrays our decadence. The future belongs to those "dynamic" Powers who have not lost the "will to rule".

It is the same with India. As the direct outcome of the last war, in which she played a great part, India has advanced far along the road to sovereign nationhood. The Act of 1935 provided first for full responsible self-government, subject to certain "safeguards", in the eleven Provinces which make up British India. This part of the Act is now in operation. For nearly two years in all the Provinces (and some of them are great countries in themselves containing 40 or 50 million people) all matters of provincial concern (and those are the matters which touch the citizen's life most nearly—the maintenance of law and order, education, agriculture, public health and the like) have been controlled by Indian Ministers, responsible to Indian legislatures. In eight of the Provinces those Ministers are loyal members of the Congress party, the party whose openly declared policy is to get rid of the last vestiges of the

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old British *Raj*. Yet the relations between those Ministers and their British Governors have admittedly been cordial. The "safeguards" have not been needed. Governors have accepted their Ministers' advice. Whatever may be the issue of the present controversy this experience is of good omen for the future relations of India with Britain and the Commonwealth; and it is to be regretted that the second part of the Act should not have had the chance of a similar trial. For it provided for the Federation of all India, the Provinces and the States together, under a federal government responsible to a federal legislature in dealing, subject again to "safeguards", with practically all matters except two—Defence and Foreign Affairs. That meant that, in so far as the "safeguards" again proved needless, India would have attained the status which the Dominions enjoyed before they undertook the full burden of their own defence on land (and that was not long ago) and assumed their own control of foreign policy (and that was only yesterday). And as a symbol of the full Dominion status which Britain genuinely wishes India to obtain—the obstacles in her view are for India to break down—a representative of India has joined the representatives of the Dominions at the council table of the Commonwealth in London. But to Nazis this must seem an even more contemptible surrender of imperial power than the enfranchisement of the Dominions. Their spokesmen may protest at our keeping India under what they ignorantly describe as "Crown Colony government"; but the old complaint of 1914 sounds a more authentic Prussian note—that we had failed in our imperial mission by respecting India's ancient civilisation instead of forcing it into the mould of our own *Kultur*.

The conflict of ideas is still sharper with regard to the remaining portion of the Commonwealth—the real Crown Colonies and other similar dependencies. Some pages in the history of our treatment of the weak and backward peoples of the Tropics are black enough, if no blacker on

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the whole than those which other Europeans have written; but, like other Europeans, we have been trying for some time past to write a new chapter. Bad conditions in some of our tropical dependencies are now mainly due to the carry-over of nineteenth-century *laissez-faire*, not to calculated exploitation. Moreover, the liberal impulse which the last war gave to the evolution of the other parts of the Commonwealth did not leave our ideas of colonial policy unaffected. We welcomed the principle of the Mandate—that the government of peoples *not yet* able to stand by themselves is in the nature of a trust—and recently we have given it a more positive interpretation. Speaking in the House of Commons on June 7, 1939, the Secretary of State for the Colonies (Mr. Malcolm MacDonald) said that the purpose of our colonial administration was to enable the peoples in its charge, in course of time, to "become full citizens of the modern world".

The most appropriate and the surest instruments in the long run for accomplishing the steady advancement of the African people will be educated and responsible African leaders themselves. . . . The main objective of our government in all the Colonies is to train the people of the Colonies to stand always a little more securely on their own feet. . . . That freedom which we prize so highly ourselves we seek to spread among His Britannic Majesty's subjects in whatever part of this vast Colonial Empire they live.

In other words, the dependent peoples of the Commonwealth are travelling the same path as those of the Dominions and of India towards the same goal—that status of equality which is ultimately the only tolerable relationship between men and men wherever they may happen to be born. And if proof of this were needed, it might be found in the efforts now being made to improve facilities for higher education in British Tropical Africa with the avowed purpose of enabling more Africans to share in their own government.

Ironically enough, it is just when we are evolving this twentieth-century doctrine that the Nazis demand a share

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of our "possessions" in order to apply to them the doctrine of the eighteenth century or of a still earlier and darker age. It is, of course, the essence of the Nordic theory to glorify and maintain the existing inequalities between the peoples of the world. The Germans are a *Herrenvolk*, a race of rulers. The coloured races are their natural subjects. That is a perpetual dispensation. Black men must never be encouraged to acquire the ideas of white men. They may be schooled up to a point in their own culture, but higher education must be barred to them. Above all, humanitarianism, the proof of decadence, must at all costs be avoided. How these principles, these old and outworn principles of the "natural master" and "natural slave", might be applied in practice has been terribly demonstrated by Nazi treatment of members of a "non-Aryan" race already in their power. The judgment of the civilised world must be that men who think like that and act like that are disqualified *a priori* from sharing in the tutelage of backward and defenceless peoples.

We need not try to form a concrete picture of what would actually happen if the non-self-governing parts of the British Commonwealth were converted into a Nazi *Weltreich*, if all the progress we have made towards a juster relationship between the races were suddenly reversed, if millions of helpless people were at the mercy of men who have no sense of common decency in their treatment of fellow men. The outline of the picture is enough. The details must never be filled in.

III. THE AFTER-WAR

WE must hold on, then, till the war is won. A compromise can only be a truce, and that would mean the indefinite continuance of a tension that would be morally and materially unbearable. At whatever cost—and from subsequent articles in this issue it will be seen that the cost

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may well be greater than is yet generally recognised—we must win. But victory is not enough. That is the primary lesson, as was said at the beginning of this article, to be learnt from the record of the last twenty years. Civilisation must not only be saved. We must try to secure it.

Consider to what an extraordinary pass mankind has come. In a speech delivered on October 5, 1937, a speech which struck home throughout the civilised world, President Roosevelt stated the simple fact that only a small fraction of humanity—he put it at 10 per cent.—wanted war, and all the rest did not. Ever since 1914 it has been undisputed that the damage inflicted by modern war cannot be confined to the belligerents. Every country suffers to a greater or less degree from the dislocation of moral intercourse, from the waste of wealth, from the less obvious and less measurable injuries inflicted on all our common civilisation when part of it is overwhelmed by war. And yet, in flat defiance of the interests and wishes of at least nine men and women in every ten, the war has come.

There are some, no doubt, who might be called "defeatists", not about the war but about what Mr. Eden in a recent broadcast called the "after-war". Sceptical by temperament or driven into pessimism by the dissipation of the dreams they cherished twenty years ago, they say that to talk of a "new order" is to foster perilous illusions. "The peoples who have so foolishly abused their first chance are incapable of making better use of a second. War will come, whatever we do, from generation to generation. If that means the doom of civilisation, then civilisation is doomed." Such opinions are not to be argued with. To hold them is to despair of human reason and human will. Conceivably mankind may fail to save its soul alive, but at least it is bound to try.

Others maintain that to talk of war aims now distracts us from our immediate task of winning the war. Is it not enough, they ask, to know that we are fighting to defend

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ourselves and all we care for? No; not quite enough to inspire the *maximum* effort that is needed. The men who fight and the women who wait must feel not only that their own safety and freedom are in question, but that another effort will be made, more whole-hearted than the last and more patiently thought out, to dispel from the children's lives the shadow that has darkened their parents'. The discussion of the peace settlement, it is true, must be provisional. We cannot forecast the situation in which it will be made, and we must not forget, as we are sometimes tempted to do, that it is not only we who will make it. It will be the work of our allies also in the first place; in its final form it ought to be the work of the whole civilised world. Let us keep those provisos in mind in considering the main conditions of the settlement we mean to make as far as it lies with us to make it.

The first is clear. The Nazi régime must be overthrown. *Il faut en finir*. The second is equally clear. This war, as was pointed out earlier in this article, is one of a series of German wars; it is the second German war with Britain, the third with France. There must not be another if we can help it. Germany must be made incapable of challenging the rule of law and liberty again, for as far ahead as we can see. This, it need hardly be said, is far the more difficult of those two conditions to establish or at least to maintain for any length of time. Herr Hitler and his colleagues can be removed by force if it is strong enough, just as Wilhelm II was removed by force. But force could not root out Prussianism from the German mind, and it cannot root out Nazism which, as has been observed, is only Prussianism in more brutal shape. That can only be done by the Germans themselves, and, however we may try to help them do it, they will not find it easy. The tenacity of the Prussian tradition from the days of Frederick the Great is sometimes overlooked. It is not only the making of five wars in eighty years: it is the ready ear accorded for more time than that to a long series of militar-

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istic writers and teachers from the patriots of the early nineteenth century on through Treitschke to the author of *Mein Kampf*. Is there something in the German make-up that cannot be brought into harmony with the spirit of the Western world? Or is it only the accidents of German history that are to blame? Are the Germans so difficult to live with only because, to use the current phrase, they are politically immature? If so, the outlook is more encouraging. There is a liberal tradition, too, in Germany, though it has always been weaker than its foe. Twice liberal governments have been established, for the separate states some ninety years ago, for the whole of the *Reich* the other day; and, though they did not live long, it is something that they lived at all. Those liberal forces, moreover, have been driven into a far more open breach with Nazism than they were with Prussianism. There were no patriotic German *émigrés* in 1914. With such conflicting facts before him no thoughtful man will dare to prophesy what sort of ideas will dominate the German mind when the war is over or ten or twenty years later. But on this question as on others uncertainty is no excuse for doing nothing. Plainly we must do what we can to make it possible for Germans, especially young Germans, to conceive their national destiny in terms of international co-operation rather than of conflict. "It is no part of our policy", said Mr. Chamberlain on October 12, "to exclude from her rightful place in Europe a Germany which will live in amity and confidence with other nations."

That leads us to the third condition of a settlement, namely, that the peace must be a just peace. It must do justice not only to the Germans' victims, to the Czechs and the Poles, but to the Germans themselves. That means a peace which, if circumstances permit, can be negotiated with a liberal German Government; a peace which a fair-minded German admits in his heart to be fair, so fair that it cannot be successfully caricatured as a "second Versailles". Secondly—and this is even more important—it must be a

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peace which at least the great majority of the neutral peoples can approve. For it will need more for its maintenance than the strength and resolution of those peoples who are now fighting for freedom. It will be essentially related to the wider settlement which alone can make freedom safe; and no such settlement is conceivable without the co-operation of all the freedom-loving peoples of the world. "We believe"—to continue the passage quoted above from Mr. Chamberlain's speech—"that *no effective remedy can be found for the world's ills that does not take account of the just claims and needs of all countries*, and, whenever the time may come to draw the lines of a new peace settlement, his Majesty's Government would feel that the future would hold little hope unless such a settlement could be reached through the method of negotiation and agreement."

It is at this point—when the discussion of the "after-war" goes beyond the narrower questions at issue between the combatants to the question of a wider settlement in which all the countries of the world are concerned—that we pass from common ground to controversy, the same controversy which, started by the same dilemma twenty years ago, has raged ever since, with its storm centre at Geneva, and has now been whipped up again by the renewal of war. Already, indeed, British students of the question have divided roughly into three schools of thought. There are some who believe that the League broke down because it was too ambitious. National sovereignty is still, they think, so deeply rooted in men's hearts that no more effective machinery for international co-operation is practicable than the holding of conferences between sovereign states on the model of the Imperial Conference between members of the British Commonwealth of Nations. Others would retain at the end of this war as much international machinery as was set up at the end of the last, but no more. Restore the League of Nations, they say, with such amendments of the Covenant as experience has shown to be desirable or create

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a new League if that be needed to secure the widest possible membership; but do not sacrifice the practicable to the pursuit of the ideal. Co-operation must still depend on the loyalty of sovereign states to a covenant. It cannot in the present state of world-opinion be enforced by their submission to a federal constitution. The third group agrees with the first in condemning the League, but for the opposite reason. It was not too ambitious, they say; it was too modest. A federal union is the only solution. National sovereignty has shown itself to be so dangerous an anachronism that it must be destroyed as soon as possible. For the control of international relations it must abdicate in favour of an international government responsible to a representative international assembly.

It is not the purpose of this article to examine these rival policies in detail. The problems of the League have been pretty well thrashed out in the course of the last decade, the organisation of the British Commonwealth is sufficiently familiar to readers of *THE ROUND TABLE*, and the preliminary discussion of the federal idea attempted in its two last numbers* showed that much time and thought are needed for the working out of any concrete plan. But one comment should be made here and now. For most of the disputants the ultimate objective is the same. Most of them believe that the common concerns of a shrinking world will some day be controlled by a common authority, and accept the fact which *THE ROUND TABLE* has consistently asserted in the past, that the only *final* alternative to war is law. As the British Ambassador at Washington reminded an American audience the other day, "The establishment of a true reign of law between the nations is the only remedy for war."† Thus the controversy is largely a matter of *tempo*, as to whether international public

* "Union Now," No. 115, June 1939; "Union: Oceanic or Continental," No. 116, September 1939.

† The text of Lord Lothian's speech is given on pp. 231-43 below.

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opinion is ready, or can be made ready without indefinite delay, to accept the bolder or the boldest plan. Would any champion of Conference or League reject a federal union if it were offered him? Has not the League always been envisaged as gradually solidifying through steady usage and spreading authority into a world-government? Do the Federalists on their side believe that a world-wide Union will be practicable at the end of the war? And if not, must not some co-operative system be retained or devised to bridge the gap? It is to be hoped, indeed, that the rival schools may merge their differences and unite in working out the concrete details both of a federal plan and of the co-operative system which is to prepare the way for it, and, if all goes well, to be transformed into it. But it must be clearly understood that it will be a transformation. That is the point where clarity and frankness are most necessary. The failure of the League was largely due to the number of its supporters who did not fully realise what it required of its members. Idealists supposed that it would give them perpetual peace without their being ready and willing to fight for it. Materialists regarded it as a convenient contrivance for enabling us to follow our own old path to our own old ends under the shelter of collective security. There must be more realism, more honesty about federal union. It must not be cried up as a new and easy method of escape from the facts that weigh us down. It must be made crystal clear that it demands much more of nations than the League, that there is indeed a transformation in passing from the one system to the other. Under the League a nation restricted its national sovereignty to the extent that it bound itself to act with other nations in certain ways in certain circumstances. In a federal union a nation's sovereignty will not be restricted in the field of federal affairs: it will disappear: it will be merged in a new international sovereignty.

Thus, in the last resort, the question of the character of the ultimate general settlement is a moral question. Con-

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stitutional machinery is of immense importance. It facilitates the operation of the common will. It confirms it in its purpose by the force of custom. But the will comes first. Without it no machinery can work. Where there's a will, on the other hand, there's a way: and the choice of the way must be determined by the strength of the will.

It is difficult to believe that the requisite moral strength will be lacking, when the time comes, in this country. Since the last war, our interest in international affairs has vastly increased. Nowhere has the League found wider or warmer support among the general public. Nowhere has the rising generation been readier to accept the doctrine that "patriotism is not enough". And there is a new incentive nowadays in the thought that other free peoples may be looking for a British lead. We are the oldest practitioners of national self-government: must we not be forward in the work of building international self-government? But it is not enough for the will to be genuine and strong. If it is not to lead once more to frustration and disillusionment, it must be informed, realistic, open-eyed. It must see the difficulties it has to surmount. Some of them will not be evident till the details of the settlement are thought out, but some are clear enough already. We must rid ourselves, to start with, of our insular aloofness. We must break, if we can, the habit which geography and history have made almost a part of our nature. An interest in foreign affairs is not quite the same as an interest in foreigners. We must make a real attempt to know and understand the peoples of the Continent and to look at Europe through their eyes as well as through our own. We must frankly recognise that a new international order may accord with British ideas of liberty and justice—there is nothing insular in those ideas—but may not accord with some British interests as they have hitherto been understood. It will not be, indeed, till we face up to it all that we shall see how hard it is to do what is required of us. And it will be harder still for the

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Dominions, so far removed from Europe. But the fact remains that, as far as the peoples of the British Commonwealth are concerned, the degree to which a better and safer world can be built up will be exactly measured by the degree to which they can break away from their old traditions of isolation and share in a common loyalty to a greater international society.

It is with the determination, then, as far as in us lies, to win the "after-war" to-morrow that we brace ourselves to win the war to-day. We do not know how long it will last or how much suffering it will inflict, but that we shall endure to the end there can be no question. Never before has a war been fought on so great an issue. It is for much more than our peace, our safety, our prosperity, that we are fighting; it is difficult indeed to realise how much more. Mankind is at a crisis of its destiny. It has long been recognised that the material power given to men by modern science was in danger of outstripping their moral power to use it right. That danger has materialised in Germany with terrible results. In the last resort we are fighting to save the human civilization, which we have been so long and slowly trying to build up, from suffering the same inhuman fate.

THE STRATEGY OF THE WAR

AFTER an interval of twenty years the German War has now been resumed. In one sense, indeed, it was resumed in 1936 with the forcible military reoccupation of the Rhineland, and the overrunning of Poland marks the conclusion of a first phase of which armed intervention in Spain, the rape of Austria and the successive seizures of the Sudetenland, Bohemia and Slovakia, marked the intervening stages. The second phase, the real major war, is only now beginning.

I. THE PRELIMINARY PHASE: RHINELAND TO WARSAW

THE earlier stages of the first or preliminary phase may be briefly summarised. Each of these stages was marked by the employment of the same political-military strategy—that of the sudden seizure of a limited objective, leaving to possible opponents the alternative of acquiescence or else of facing the responsibility of initiating a general war. The first stage, the move into the Rhineland, was, from the military point of view, pure bluff, and it is now pretty certain, that if the bluff had been called and the French Army had marched in, the German General Staff would have recalled its troops and Hitler and all his plans might have collapsed. The seizure of Austria, again, was largely bluff, in so far at least as the defence of Germany's Western Front was still far from being effectively organised.

By the time of the Munich Agreement that defence had been greatly strengthened, though it is understood that General Gamelin, in response to more than one direct question from the French Government, expressed the confident conviction that he could break through it. At the

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same time the occupation of Austria made possible an almost completely enveloping attack upon Czechoslovakia. The fear that this attack would have succeeded before any decision could be reached on the Western Front and the Allied weakness both in aircraft and in anti-aircraft defence resulted in a surrender which the Allies were still able to cover up to some extent by a belated conversion to the German view of the merits of the Sudetenland issue and by calling it an agreed settlement.

Within six months the Agreement was torn up and German troops marched into Czechoslovakia, anticipating by some hours the so-called request for German protection extorted from a browbeaten and terrorised President. This time there was no shadow of justification even on racial grounds, nothing that could extenuate the ill-faith and brutal violence of the transaction. It was the last straw. It is true the Allies did not at once declare war, as they would have been fully justified in doing. But they realised that, unless they were prepared to fight, Hitler was now determined on one act of aggression after another. Either Poland or Rumania was clearly indicated as the next victim. Within less than three weeks of the occupation of Prague the Allies had given their unconditional guarantee to both of these States, as well as to Greece, in view of the Italian seizure of Albania, and had opened the negotiations with Turkey which resulted in a provisional agreement for mutual support in the Mediterranean area, since converted (October 19) into a definite fifteen-years treaty.

The Allied reaction no doubt came as an unpleasant surprise to Hitler and his *âme damnée*, von Ribbentrop. They had at once followed up Prague by forcing Lithuania to hand over Memel and by peremptorily informing Poland of the terms they would be pleased to impose on her in respect of Danzig and the Corridor, thinking, to quote Sir Neville Henderson, "that it would not add much to the general execration . . . if everything were done at once".

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Still, surprised and annoyed as they were, they could not at first bring themselves to believe that we really meant business, or that the Poles would act upon that assumption. All that was required was to repeat the policy of 1938, and to continue mobilising in the belief that at the last moment Munich would, in some form or other, be repeated. As the summer advanced the declarations of the Allied Governments and, even more, the effort to secure Russian support for the "Peace Front" must have raised doubts as to this reading of the situation. If so, they seemed resolved by von Ribbentrop's "master-stroke" of the Russian Treaty, announced on August 21 and signed four days later. To Hitler's consternation the Allies were unimpressed. For a week he hesitated, putting off the invasion of Poland which had been fixed for the night of August 25-26. Then he plunged, persuading himself that, if the Allied Governments declared war, it would only be to "save face", and that the swift wiping of Poland off the map would lead to acceptance of the accomplished fact.

In the early hours of September 1 the Germans invaded Poland. More than 2,000 aeroplanes swooped down on the Polish aerodromes and aircraft factories, on the vital railway junctions and on Warsaw and other centres of administration. All communications broke down. The Polish airmen put up a gallant fight, where they could, but, hopelessly outnumbered and cut off from all instructions, they could do nothing to affect the general situation. Before the Polish armies could begin either to resist or to retreat, the whole political and military organisation of the country was in hopeless confusion. Meanwhile the German armies, numbering some seventy to eighty divisions, began their concentric advance over the whole 800 miles of front from East Prussia to Slovakia.

The extreme flanking groups, pushing down from East Prussia towards Brest Litovsk and from Slovakia down the San through Lwow, were intended to meet and so close the

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net upon the whole of the Polish armies before they could fall back upon the difficult region of the Pripet Marshes. On the inside left one army group struck down from East Prussia towards the lower Bug east of Warsaw, another moved south-west up the Vistula to unite with an army group advancing south-east from Pomerania on Bydgoszcz (Bromberg) and so to close the Corridor before pushing on towards Plock and Modlin. In the centre a powerful army group advanced through Czestochowa towards the line Lodz-Radom, while on the inside right the troops from Southern Silesia moved eastwards through Cracow towards Przemyśl. The real attack seems to have been carried out almost entirely by the five heavily armoured *Panzer* divisions, the four light mechanised divisions and four motorised divisions. These pushed right ahead at full speed down the roads for their objectives, without waiting for the slower units either to keep contact or to cover their flanks. They were helped by perfect weather and by a summer so dry that even rivers like the Narew and Bug could be crossed by tanks and lorries. Low-flying bombers helped the tactical disintegration of their opponents.

The Polish General Staff had always realised that the salient formed by Western Poland could not be held, and had decided to fall back in a series of purely delaying actions upon the line, running roughly north to south, formed by the rivers Narew, Bug, Vistula and San. But they were caught completely unprepared both strategically and technically. Their general mobilisation had only begun on August 31 and was largely paralysed by the German air attack. The Polish armies had none of the equipment of fighters or of anti-aircraft or anti-tank guns required to meet a modern attack, and do not seem even to have made any serious effort to construct anti-tank obstacles. The armoured divisions just ran over them. Deprived of all central direction owing to the collapse of communications, without the power of local air reconnaissance, while themselves under

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constant observation, they were impotent to take advantage of the risks to which the German advanced columns exposed themselves. Broken up into unco-ordinated groups they made a gallant defence, and wherever they could fight under anything like equal conditions seem to have shown their superiority to the ordinary German troops of the line.

By September 17 the German net had not yet closed. The Polish Poznan and Pomorze armies, totalling thirteen divisions, had fought their way through the encircling German forces and were holding their own stubbornly in the Kutno-Lowicz-Skiernewicze area, still hoping to rejoin the strong forces holding the Vistula from Warsaw to Modlin. The German attack on Lwow was checked. Smaller Polish groups were making their way back somehow. There was, at any rate, still a possibility of continuing a resistance east of the line Lwow-Brest Litovsk. But on that same day the Russians marched in along the whole length of Poland's undefended eastern front.

So ended the first or preliminary phase of the renewed German War. The chief interest for our immediate purpose of the Polish operations is in the tactical lessons to be drawn from them as bearing upon the main war which is now beginning, or, rather, is now in preparation. The principal lesson, clearly, is that of the use of overwhelming superiority in the air, both to paralyse an opponent's whole national life and military organisation and to help the actual tactical advance. That the Germans have drawn this conclusion is certain, and we may therefore assume with some confidence that they will not wish to fritter away their present air superiority on any operations that are not directly connected with their main military effort, at any rate unless and until they are convinced that no military effort has any chance of success. More particularly is this likely to be the case now that our own defensive arrangements against air attack are so far advanced.

Nothing like so clear a conclusion can be drawn from the

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triumphant success of the highly mechanised divisions. It is at least possible that, given bad weather and unfavourable ground, they might have been held up, or that, in the absence of air superiority, they might have been outflanked and cut off by the Polish cavalry. The fate of the Italians at Guadalajara is at any rate a warning against over-estimating the value of highly mechanised forces except under topographical and other conditions favourable to their use. In any case the Germans were not operating against an army equipped to deal with mechanised warfare.

II. THE MAJOR WAR BEGINS

ON September 3 Britain and France declared war on Germany. The state of war has thus been in existence for over two months. But only at sea can it be said to have been actively conducted. There the Allied Navies at once took charge, and within a few days German shipping disappeared from the surface of the seas. On the other hand, the German submarines, already posted on their stations to intercept British shipping, also set to work immediately, and were able to record considerable initial advantages owing to the fact that our convoy system was not yet in operation. The attack was conducted with the same disregard for international law and humanity as was displayed in the last war. The first victim, indeed, the *Athenia*, was so maladroitly chosen that Herr Goebbels, in default of any better excuse, has tried to fasten its sinking on to Mr. Churchill. Hardly less significant of German methods has been the sinking, without excuse and with practically no warning, of neutral ships like the Danish *Vendia*.

Once the convoy system was in working order our mercantile losses by submarine action rapidly fell off, while our improved methods of detection and pursuit have made the game increasingly difficult and dangerous for the U-boat commanders. Something like 20 of the original German

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sea-going fleet of 60 submarines were sunk or captured in the first eight weeks of war, as against a total loss of some 370,000 tons of Allied and neutral shipping. In our own case the loss of some 240,000 tons represents a minute fraction of over 10,000,000 tons that safely reached port. Against these figures are set the 350,000 tons or so of enemy, or enemy destination, cargoes intercepted by the Allies, much of it of the first importance as material for munitions. There should be no reason to doubt the Admiralty view that the submarine menace to our shipping can be, if not eliminated, yet kept under effective control and is not likely to constitute a serious counter-blockade.

The success of the submarines in sinking two older warships, the aircraft carrier *Courageous* and the battleship *Royal Oak*—the latter a remarkable feat of audacious seamanship—should not invalidate this general conclusion. It yet remains to be seen what will be the effect on the situation of the activities of the commerce-raiding “pocket battleships”, *Admiral Scheer* and *Deutschland*, in the South and North Atlantic. So far they have not inflicted damage comparable to that done by the *Emden* in the last war, and it is unlikely that their refuelling arrangements will enable them to stay out much longer, even if they succeed in eluding our pursuit.

In this connection it is worth noting how much the Allies have to be thankful for in the fact that Germany was not allowed to retain her colonies after the last war. At that time those colonies played no immediate part in a naval strategy which was still concentrated upon a battle-fleet victory in the North Sea. Air strategy had not yet been thought of. Their actual military forces were inconsiderable. How formidable a part they might have played in these last few weeks organised for war, as they would have been under the Nazi régime, can well be imagined. They would have provided powerfully equipped and strongly defended bases

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for a naval policy devoted to submarine warfare and commerce raiding. Their armies and air forces would have threatened French West Africa from the Cameroons, and South Africa and Rhodesia from both South-West Africa and Tanganyika, as well as Kenya and Uganda from the latter territory. Even in the last war the German colonies involved a considerable diversion of effort. On this occasion they would have constituted a menace which might easily have affected the whole course of the war.

On land the French Army completed its mobilisation undisturbed, and presently, in a series of successful minor operations, advanced a few miles into the “no man’s land” between the Maginot and Siegfried lines, occupying a narrow strip of German territory between the Moselle and the Saar and at one time almost investing Saarbrücken. By the beginning of October, as the main German forces began to come west from Poland, the advanced troops were withdrawn, leaving only a very thin screen. The Germans seem to have been unaware of this withdrawal for nearly a fortnight, but pushed forward in force on October 16. The French outposts thereupon fell back to the prepared main position more or less along the frontier, though not without inflicting fairly severe casualties on the attackers. Much of the ground regained by the Germans is now waterlogged, and the advance still leaves the Saar mines within range of the French guns.

While these successful, but intrinsically unimportant operations were in progress, the first instalment of the future British Expeditionary Army, over 150,000 strong, under General Lord Gort, was transported across the Channel and moved up to its allotted position on the French front unobserved and unmolested. More troops have since followed. The British Army on the Western Front is under the direct command of the French Higher Command. The unity of command which it took nearly four years to achieve in the last war has been accepted from the outset and has,

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no doubt, helped to contribute to the excellent relations between the two armies from top to bottom.

In the air both sides have confined themselves to minor reconnaissances. We led off with a couple of daring raids on German warships at Brunsbüttel at the entrance to the Kiel Canal and at Wilhelmshaven on the Weser estuary, losing a few planes, but inflicting serious damage on the battleship *Gneisenau*. We have also conducted a series of leaflet dropping raids all over Germany, as far even as Berlin, as well as low-flying reconnaissances for photographic purposes more immediately behind the German line. The Germans retorted with raids on our ships in the Firth of Forth and at Scapa Flow. The former raid was significant for the fact that the fighter squadron which brought down four of the attackers was manned by amateurs. In one of the latter the old *Iron Duke*, now a training ship, was damaged. Another attack by twelve German heavy bombers on a convoy resulted in seven out of twelve attackers failing to return, while no damage was inflicted. Altogether the German air force probably lost some 25 per cent. of the machines engaged in these operations. Judged by this standard it would seem as if the defence, in the shape of fighters and anti-aircraft guns, had definitely established its ascendancy over unescorted bombers, and that the warship, at any rate when in motion, has little to fear from air attack. But the conclusion, so far as it goes, is only valid against attack by small numbers, and we have yet to see what destruction might be achieved by the concentration of larger numbers, whether together or in rapid succession, upon either convoys or fixed objectives. The need for fighter escort would at any rate suggest that serious air attack against this country may—except as a last desperate measure—be postponed to the occupation of a more advanced position in Holland or Belgium.

No attempt was made by the Allies to use their air forces either to help the Poles in the first fortnight by attacking military objectives in western Germany or subsequently to

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interfere with the transport of the German armies to the Western Front. There can, of course, have been no moral justification for our refraining from operations merely because they might incidentally have killed civilians or destroyed private property, in view of the promiscuous nature of the German air attacks on our Polish Allies. Indeed our inaction in this respect undoubtedly created a bad impression in the United States and in other neutral countries, and was attributed not to humanitarian motives, but to fear of reprisals. It may be that the French Higher Command believed that more was to be gained by the undisturbed completion of their own mobilisation than by any possible interference with German troop movements. Our own Cabinet, too, may have been influenced by considerations affecting the transport of our divisions to France and the completion of our anti-aircraft preparations at home.

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WITH Poland disposed of Hitler is now at last up against the major war which it has always been his intention to avoid, or at any rate to postpone until both his army and his economic system were fully prepared for the task. What is his plan for dealing with this new and undesired development? Is it a plan worked out beforehand, like the plan of 1914, or is it still being improvised? In 1914 the German General Staff had everything in their favour: the surprise of numbers, due to the incorporation of their reserve formations in the fighting line; the surprise of direction, secured by the invasion of Belgium; the absence of any fortified positions to check them once Liège, Namur and Maubeuge had been overrun; the fatal error of the French attack in the centre.

This time there can be no such element of strategical surprise. The French Army, more than equal to the German in the number of its trained reserves and superior in the quality

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of its corps of officers, is waiting for the attack on the Maginot Line. That defensive system—an irregular line of underground battleships, each covering its neighbour with its flanking fire, drawn up in the midst of a zone of minor works, trenches, *chevaux de frise* and barbed wire—is the most impregnable yet devised by human ingenuity disposing of almost unlimited expenditure. Belgium has mobilised half a million men behind a system of frontier defence, weaker than the Maginot Line, but far stronger than anything at her disposal in 1914. Behind that the Franco-Belgian frontier has been steadily fortified for the last three years. Holland, though weaker, is also partially mobilised and prepared to set the flood waters in motion at a moment's notice. The Swiss are ready to dispute every inch of the narrow passage across their territory. Furthermore, the season for active operations, especially with armoured divisions, is already very late, particularly so in the low-lying regions of Holland and Belgium, and the weather, so favourable in September against Poland, has now turned wetter and more wintry.

On the other hand delay confronts Germany with serious disadvantages. Whatever her accumulation of reserves and hopes of trade with Russia and other neutrals, an added six months before the real issue is joined must be a strain on those resources and on the morale of a people already stale with years of over-organisation and depressed by short commons. Every month reduces the German margin of superiority in the air over the Allies, not to speak of what the latter may now buy from America in the way of machines, or of the reserves of trained pilots to come from every part of the British Empire. The temptation to strike now must be great, above all to a man in Hitler's position and of his temperament.

All the same it seems unlikely that his generals will consent to an immediate attack on the main Western Front, whether directly on the Maginot Line or through Luxembourg or

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Belgium, except in one contingency. That is the possession of some yet undisclosed weapon of devastating power, such as Hitler hinted at in his last Reichstag speech. A mere tactical device such as the bullet-proof duralumin armour with which some of the German infantry are reported to be equipped may or may not be useful, but can hardly be decisive. One possibility might be some method of creating artificial fog on a large scale, in the hopes of repeating the success of March 1918. Another might be the accumulation of poison gas in hitherto undreamt of quantities. There is reason to believe that Germany has for years been buying up arsenic, the basis of Lewisite and other poison gases. The possession of some such new element of surprise would greatly increase the probability that the attack might be made now.

To discuss in detail the precise point of attack in that contingency is hardly worth while. But on the whole it is most likely that it would be through northern Belgium by way of the so-called Limburg appendix of Holland. This would turn the Liège defences and be faced with no other serious obstacle except the Albert Canal from the Meuse to the Scheldt. The determination of the Belgian Government to remain neutral at all costs until actual invasion has taken place means that no French help could reach the frontier in time to meet a sudden attack. If the Belgian front then cracked, the German armoured divisions might sweep in a few days over the whole of northern Belgium to Antwerp and Ostend. Even if the Franco-Belgian frontier held, Germany would once again be in a position to conduct air attacks upon this country from bases 200 miles nearer and at a range which would allow of effective fighter escort to her bombers. The Belgian coal-fields and industries would once more be at her disposal, and she might always hope that this time she might retain her hold up to the end and treat Belgium as a useful hostage in settling the terms of peace.

Many of these considerations would apply to the more

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limited enterprise of seizing Holland alone, trusting to Belgian neutrality to cover the flank of the invasion. The Dutch estuaries, indeed, would offer much better facilities for submarine operations than Ostend and Zeebrugge. In the absence of any new weapon, such as was suggested above, this may, possibly, be considered a more feasible exploit—from a military, if not from a moral point of view—providing always, what now seems doubtful, that Belgian neutrality can be secured. Eastern Holland could easily be overrun. The flooding of the lower-lying parts of the country by a broad belt of water from the Zuyder Zee to the Waal, covering the industrial and maritime centres, would prove a serious but not necessarily an insuperable obstacle.

On the whole, however, it is still possible that Hitler may be persuaded to put off the offensive, probably until the spring. The kind of attack that appeals to the German mind, the overwhelming blow aiming at a swift conclusion, needs long and careful preparation. That preparation was made for the crushing of Poland. It can hardly have been available for an immediate second campaign under far less favourable circumstances. To improvise a *Blitzkrieg* may well be to invite disaster. Moreover, the dangers of delay may well be balanced by the superior organising power of the totalitarian state. If the Allies are now beginning to gain ground in aircraft construction, a new spurt in German production may prevent the present margin of numerical superiority being too seriously reduced. New submarine construction, no doubt pushed ahead vigorously as soon as the naval agreement with us was denounced last summer, may presently more than replace existing wastage. Mr. Churchill, at any rate, is making his preparations to meet a launching of two new U-boats a week. The provision of trained crews may, however, prove a serious limiting factor.

Above all, the immense existing plant for equipping the German Army can provide an expansion on that side far exceeding anything that British expansion can attain to in

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the same time. If Germany has, perhaps, 140 divisions equipped at this moment (Hitler spoke of 160 to Sir Nevile Henderson), she may quite possibly bring that figure up to 180 or more by the spring, and so hope to enjoy the kind of preponderance required for her purposes either in the West or elsewhere. Psychologically, while the Polish triumph has no doubt revived Hitler's prestige, the German people are probably anything but ready to face another and far costlier offensive, and may respond much more readily to the effort of intensified production and to strict rationing if persuaded that they are only working and enduring to defend the Fatherland against ruthless enemies who seek its destruction.

On the economic front, too, the German leaders may hope to counteract, or more than counteract, the Allied blockade, at any rate for some time. While our early efforts at war organisation have had the effect of reducing rather than expanding our own trade, the Germans have started well ahead of us with a big export push to all their neighbours, and have fixed up comprehensive barter agreements with Yugoslavia and other Balkan countries. The aim, indeed, is to create a new "continental system", including the Low Countries, Scandinavia, Italy, the Balkans and, last but not least, Russia in a single economic block. The weakness of the scheme lies in the fact that even so vast an area is short of many articles essential to the conduct of war as well as to its ordinary industries, *e.g.* cotton, rubber, petrol, tin and copper. But it would be dangerous to underrate its possibilities. Over a wide range of necessities the area is self-sufficing. In some cases, *e.g.* Russian and Rumanian oil production, German organising and technical ability may substantially increase existing output. There would always be the hope of indirectly securing some of the most needed articles through the neutral members of the block. Alternatively, too strict Allied rationing of these neutrals might throw them on the German side or afford a pretext for

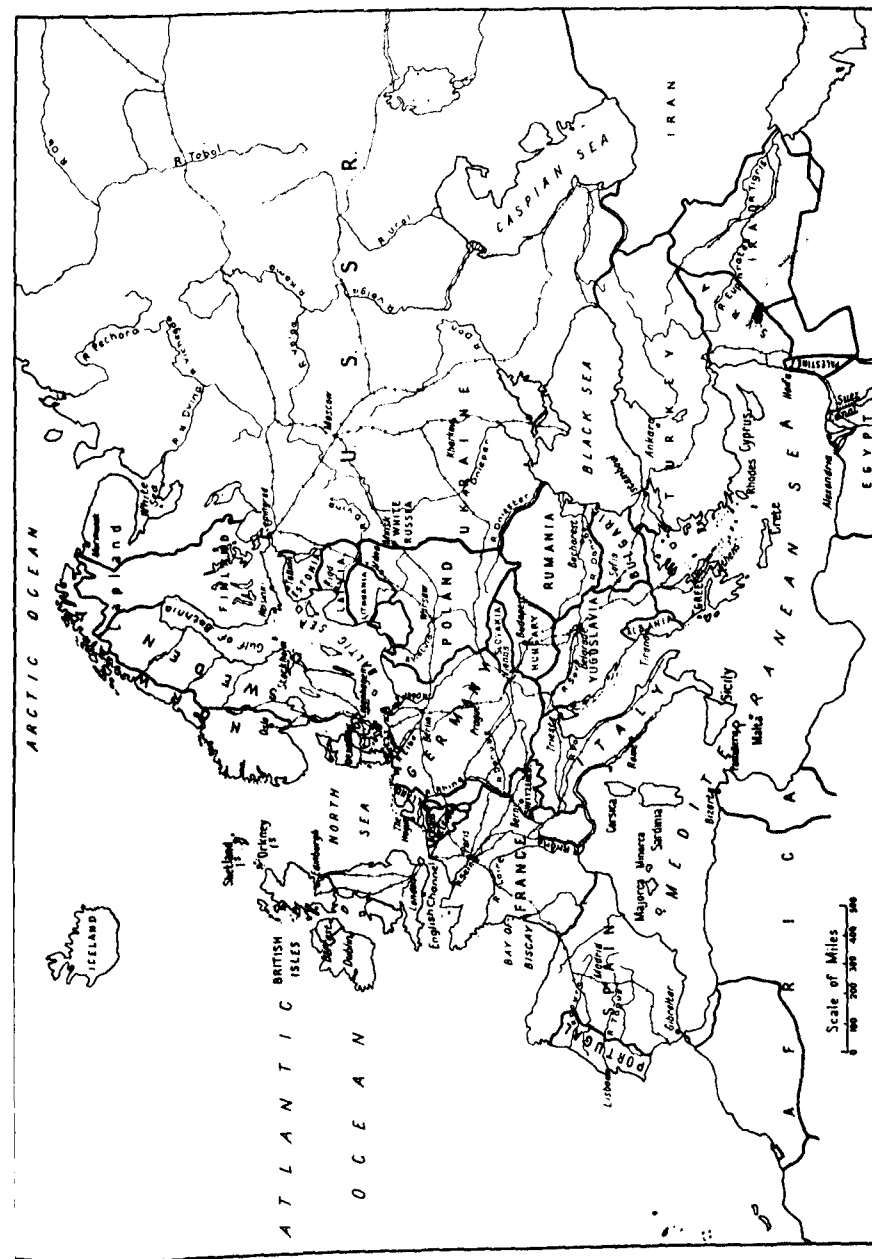
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German intervention to secure the direct control of their resources.

There are other problems of reorganisation, too, to which Hitler may wish to devote the next few months. There is the creation of a new ethnic frontier for Germany proper by bringing back and colonising, on lands from which Poles or Czechs have been evicted, the outlying elements of the German race. The Baltic Germans are now being brought back—a sorrowful end to 800 years of colonising and civilising effort and to dreams of German expansion along the Baltic in which the Führer was still indulging not so long ago. The South Tirolese are equally to be transferred, in so far as they have not discovered, faced by the unpleasant alternative, that love of home is even stronger than love of race. There are Germans to be brought back from both German-controlled and Russian-controlled Poland, from Hungary, Rumania and from Russia itself. There is the organisation of the proposed future Polish State or Protectorate, not to speak of the creation of a Jewish “national home” round Lublin. All these are tasks calculated to make a heavy drain on Germany’s organising power and transport facilities. But they may all be worth doing now with an eye to the ultimate peace settlement.

Last but not least, there is always the hope of further international developments which may present the Allies with new problems. Italy and Spain have probably by now been written off as possible active allies, a price inevitably, though perhaps undesignedly, paid for the agreement with Russia. On the other hand, no one can say how far that agreement may yet develop into political as well as economic co-operation. Direct military aid may well be excluded. But Russia’s ancient thirst for expansion, once awakened, may easily grow, and it is in Hitler’s interest that it should grow in directions which may bring her into conflict with ourselves or into more active partnership with his own designs. We may hope that Russia’s demands on Finland

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may be limited to purely local concessions affecting the security of Leningrad. But the possibility of a joint Russo-German plan for the coercion or even armed occupation of Scandinavia cannot be excluded. We may hope that Russian policy in the Balkans will be conservative and aimed at preserving Balkan unity and independence against German ambitions. But it is equally possible that the two dictators may be planning the partition of Rumania with Magyar and Bulgarian help, or even the acquisition of Constantinople and the Dardanelles for the one and of Sushak and Salonika for the other. Nor can Herr von Ribbentrop have failed to point out to his new Russian friends how favourably things are developing for the extension of Russian power over Iran or Afghanistan. Stalin may well be too shrewd to pursue so far-reaching and dangerous a policy, and rest content with what he has hitherto gained so cheaply. But he may not. Whatever the eventualities in that part of the world our alliance with Turkey and the building up of a strong Allied strategical reserve in Egypt, Palestine and Syria should enable us to meet them with confidence. But it may well be that the final and decisive stages of the war may be fought in the Balkans or in the Middle East and not on the Western Front.

It is still not improbable then—though this conclusion may be contradicted by events before these pages are in print—that Germany may mean to sit down to a winter of military, economic and political preparation with a view to striking out next spring in whatever direction may seem to offer the best prospects. We may then be faced with the possibility of a great offensive in the West. But if Hitler pursues his own habitual methods rather than the instinctive dictates of his military advisers, he may well prefer to continue—so long as food and raw materials and the spirit of his people hold out—the offensive-defensive policy of swallowing his weaker neighbours one by one, whether to exploit their resources more thoroughly or to use them as

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hostages. In the last resort, if there is nothing more to be done in this direction, and if there is no longer any hope of successful military action on a large scale, he may use his air force for a massed attack on this country. If and when that comes, the end will be near.

IV. THE ALLIED TASK

WHATEVER the arguments on the German side for giving the winter to preparation, on our side they are conclusive. We are not ready for an offensive. Our business, then, is to hold Germany while we constrict her economic life, build up our armies to defeat her's whenever and wherever she may try to break through, and above all develop the air strength which should make sure of the final victory and which should meanwhile be used to break the German morale. In 1914 neither we nor, in a sense, the French were given time to organise, and for us, at any rate, the first three years of war were years of continuous improvisation. This time, thanks to the Maginot Line, we have a much greater freedom to prepare methodically, a much greater eventual choice of initiative both in time and place. The danger, with us at least, is that we may not use the time given us as well as our opponents. The very absence of dramatic and terrifying events at the front, or over our heads, may confirm us in our leisurely ways, in our essentially civilian outlook, in our acceptance, in the sphere of government, of methods and personalities more suited to domestic politics than to the conduct of war. The watchword of a three years' war may have been useful as a reminder to ourselves of the scale of the task before us and as a warning to the enemy of our resolution. It will be our undoing if it allows us to forget that it is now, in these next few months, that the war may well be won or lost.

The creation of a British Army equal to our task is proceeding apace, in spite of the terrible handicap resulting

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from the refusal of the Government, up to the very last moment, to face the problem. In the absence of any system of universal service there has never been a plan for equipping an army on a national scale. Modern equipment, in the shape of tanks, field and heavy artillery, anti-aircraft and anti-tank guns, machine guns, motor transport, etc., has been ordered piecemeal over the last few months, as the possibilities of the situation could no longer be mistaken or ignored. When consequently universal service was introduced in April, it could, in fact, only be applied in the most limited fashion, and at the outbreak of war only a fraction of the first class called out was actually undergoing training. There is, indeed, a danger that the very fact that men can be called up when wanted may induce in the War Office a tendency to acquiesce in delays in the supply of equipment. The Kitchener method of 1914, for all the confusion which attended it, set a high standard of numbers from the outset, and forced supply, somehow or other, to hasten to overtake it.

Another possible danger may lie in an over-emphasis of the importance of the machine to the neglect of the need for men. We were the pioneers, after the last war, in the development of mechanised warfare, and there can be no dispute that the highly mechanised armoured division is, like the battleship, the most formidable instrument of war of its kind. But its full efficiency depends on supplies of ammunition and on road facilities which are only to be found in certain theatres of war. There are many parts of the world in which British troops may be needed before next year is far advanced where considerations both of sea transport and of local communications demand more lightly equipped formations. Even in the main European theatres it may be better, at any rate in some parts of the line, to have such troops as we can equip in time than to have no troops while waiting for the best. It is doubtful whether the need for men, for troops variously equipped for various

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tasks in many fields, as well as for wastage, is even yet sufficiently realised by the authorities in their concentration upon securing the most complete equipment. There is one form, indeed, of modern equipment which no troops anywhere can nowadays afford to be without. That is a sufficiency of aircraft and of anti-aircraft guns.

That brings us to the supremely important issue of building up the Allied air strength on which our hopes of victory must very largely depend. The question is how that growing strength can best be applied. Should it be conserved for the final decisive struggle or should it be used continuously to dislocate the organisation and shake the morale of our opponents? The view has been taken in these pages that the Germans, regarding their air force essentially as the advance guard and spear-head of their armies, dislocating the communications and rearward services of their opponents, will wish to conserve it for the decisive advance. From that same point of view they will wish to secure the greatest possible margin of superiority at the decisive moment by creating the maximum number of fighting squadrons at the expense of their reserves of machines and men. These arguments against frittering away their air force in minor engagements or—except as a last resort—in air attacks not connected with military operations are conclusively reinforced by the danger of exhausting a limited supply of petrol and of high-speed alloys.

To conform to the enemy's policy in this respect would surely be a mistake. Our policy should be to force on the German air arm a *guerre d'usure*, to compel the enemy by continual raiding to use up petrol and machines in defence and to provoke him to retaliatory measures which will use up even more. We have not the same reason for conserving our bombers in the immediate future, as we are not contemplating forcing a decision by an all-out land offensive, at any rate not next year.

These are considerations bearing on the material aspect

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of the situation. More important still are those bearing on the moral situation. Allied morale, the determination of free peoples to resist and to vanquish an aggressor, will—given reasonable organisation of our active and passive defence—be intensified rather than weakened by such damage as air raids can inflict. Very different will be the effect on an overdriven and underfed people like the Germans whose one moral support is the belief in the power of their Führer to protect them. To shake that belief by the continuous proof of Allied ability to destroy the instruments of Nazi military strength in the shape of munition factories, aerodromes, or stations, and to disorganise their national life, will be worth many victories in the field. Blockade alone will never bring about Germany's collapse, even less in this war than in the last. Her morale must be destroyed by the sense of impotence against attack at home or else by direct defeat in the field. And the first should be an essential prelude to the second. In certain circumstances it might even make the second superfluous.

Important as was the part played by economic measures in the last war, it will be even greater in this. But it will differ in character. In the last war it was mainly negative: direct blockade on the one hand and on the other a gradual rationing, based largely on our control of the coal situation, of the five neutral States—Switzerland, Holland, and the Scandinavian States—with which Germany was still in contact. This time the neutral zone round Germany is composed of many more, and relatively more important States. Rationing will be more difficult: to ration Russia or even Italy is quite another matter to the rationing of Holland or Denmark. What is needed is not merely a negative policy of restricting the supplies that might otherwise reach Germany, but a positive policy by which the trade of the neutral countries will be diverted from Germany, as well as a positive policy of maintaining and increasing our exports generally for a struggle which will have to be sustained,

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in the main, on a "cash and carry" basis. The effective co-ordination of these elements of a single task—as vital to our success as any part of our fighting front—is a complex affair which should occupy the whole-time attention of some member of the War Cabinet free from all other routine duties and which requires an organisation definitely adjusted to the problems involved.

But to pursue the question of governmental structure and personnel would carry us far outside the scope of this article. Enough to say that the effective organising, energising and inspiring of the nation so as to secure the very maximum, in every direction, of effort and production bearing directly upon the waging of the war is indispensable if we are to achieve success in a struggle whose dimensions, course and duration no man can foresee.

WAR ECONOMICS

I. THE ECONOMIC STRENGTH OF THE BELLIGERENTS

THE task of economic policy in war is to mobilise full all available productive capacity and the accumulated real wealth of the country for the two basic purposes: (1) maintaining the supply of goods for consumption by the fighting forces and the civilian population at least at the minimum level that is necessary to sustain the war effort without impairing their health; (2) providing the maximum output of arms, ammunition and such other supplies as are necessary for the conduct of war. Into this latter category will also fall those capital goods which are needed for the production of military and essential civilian supplies and their transport to the locality where they are needed. The production of arms without the provision of an adequate supply of ships, machinery, &c., would not be sufficient for a sustained war effort.

Looked at in this light, the problem transcends the sphere of public finance as usually conceived. The strength of a country does not express itself truly in monetary terms which are a mere reflection, often a misleading reflection, of the underlying "real" position. The fundamental question is not how to divert into the coffers of the State by taxation or loans a portion of the national income. It is rather how the given productive resources of the community and its accumulated stock of capital assets can be mobilised for the task of prosecuting the war with the maximum effect.

In the present article, therefore, an attempt will be made to reconsider in the broadest terms the factors determining the real economic strength of a community. The conclusions of this analysis will then have to be applied to the

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position of the Allies on the one hand and of Nazi Germany on the other in order to form a judgment on the task confronting Britain and France. These conclusions will also suggest the policies and methods needed for mastering that task.

I. THE SOURCES OF ECONOMIC STRENGTH

THE productive capacity of a country is determined in the first instance by the volume of available manpower (including hours of work) and its productivity. The productivity of labour in its turn will depend on the organising capacity of the employers and on the skill of the workers on the one hand and on the extent of natural resources and the volume of accumulated capital equipment on the other.

The character of economic mobilisation will depend on the probable extent of the demand for war supplies and on the reserves of productive capacity which are at the disposal of the country. If the necessary effort cannot be achieved merely by relying on these reserves, then the current consumption of the community will have to be lowered in order to free labour for the purpose of producing military supplies. It must not be forgotten, moreover, that not all of these reserves are of a *permanent* character in the sense that they represent a potential addition to the capacity of the country to produce or acquire supplies necessary for the conduct of war. Some of these reserves will be exhausted by using them. Whether or not this use is nevertheless justified at any given moment will depend on a comparison between the future loss of real income consequent upon their use and the current sacrifice necessary to avoid it.

It cannot be emphasised too strongly that measures which merely have the result of stopping consumption or private investment (such as building or repairing houses) *do not by themselves solve the problem of war economics*. They are

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important *merely* because they set free man-power and capital for the production of essential supplies and for exports or because they decrease non-essential imports and therefore—other things being equal—permit the increase of essential imports. The negative measures which increase the potential powers available for the war effort must be supplemented by positive action. Labour which is dismissed from non-essential trades must be re-employed in essential industries or otherwise used to obtain necessary supplies. If such positive mobilisation does not take place, the whole sacrifice consequent upon the fall in consumption and private investment would be in vain.

The reserves of a country for the additional effort necessitated by the war consist in the first instance in its unemployed productive resources, primarily labour. It must be borne in mind, however, that it will be almost impossible to achieve a *net* increase in industrial employment if the military effort is to be in any way similar to that demanded by the last war. Stringent measures will have to be taken to increase productivity, such as greater rationalisation in industry and more overtime work.

Communities rich in capital have a further reserve though of more questionable permanence. The accumulated capital equipment of the country does not merely increase productivity. In richer countries a larger proportion of the labour and capital can be and is devoted not simply to the maintenance of current consumption and the upkeep of the capital equipment necessary for that purpose, but also to extend the capital stock of the community in order to secure economic progress. A rich country can therefore withdraw a greater proportion of its productive capacity from civilian, and devote it to "non-productive" military, purposes than its poorer competitor, before it has to lower its standard of life. It would, of course, not be prudent even in war time to neglect altogether the demands of technical progress even at some cost in the form of reducing current

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consumption. Otherwise the country would fall behind those of its competitors which are not engaged in hostilities, and the weakening of its competitive power might in the long, but not very long, run entail much greater hardship for the community than the additional current sacrifice which would be necessary to maintain the efficiency and productivity of its industrial system.

But supplies essential for the prosecution of the war can be obtained not merely by home production, but also indirectly by import from abroad, against the sale of exported products which are not needed for war purposes. This is the only way in which we can obtain some products, especially certain raw materials and foodstuffs, because their production in this country is either impossible or would be too costly. In these categories of goods the difference between the cost of production in this country and in countries more favoured by climate or geological accident is very great. Hence, if intercourse with those countries is not prevented by hostile interference, these commodities can be obtained at a much smaller expenditure of labour for ourselves by selling to them products in which the advantage is relatively more in our favour. In times of full employment of labour, when all our resources are being used to the utmost, the advantage implicit in foreign trade might be of decisive importance. The necessity of producing substitute materials, as in Germany, of using low-grade raw materials for the production of certain commodities, and of attempting to produce foodstuffs in an unsuitable climate or in poor soil, a necessity which faces countries which do not possess free communication with the rest of the world, is a decisive drawback in war economics. It means that the country in question is forced to use far more man-power to obtain identical results as compared with the country which is free to trade everywhere. Self-sufficiency may commend itself from an economic point of view to countries with reserves of unemployed

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labour as long as they still possess them. It can have no place in war economics when the difference between the productivity of labour may decide between victory and defeat. In most manufactured articles, however, this difference, at least in the case of great industrial countries, is smaller than in raw materials. The increasing international extension of technical knowledge and skill has tended to level, though as yet by no means to wipe out, the great discrepancies which existed formerly in this respect. There is, therefore, a wide margin of choice with respect to most manufactured goods between obtaining them directly at home or indirectly by export.

The possibility of obtaining essential supplies from abroad by exporting non-essential goods and using the proceeds to buy them is of the utmost importance for war economics. It represents the simplest method of mobilising for war purposes existing home industries which do not produce essential war supplies, by using their exported products to obtain armaments from abroad. There is yet a further important reason for using fully our export industries for obtaining war supplies, instead of depriving them of their man-power in order to increase our home output of war supplies. If we ceased to produce for our export markets during the war, our place would soon be filled not only by the increased exports of neutral countries but, what is far more ominous, by the growth of secondary industries in our former overseas markets. Once a secondary industry becomes established in a country, political pressure will keep it alive, however inefficient it may be. The temporary withdrawal from a foreign market due to shortsighted policies in war time is likely to result in its permanent loss. The maintenance of our export trade is, therefore, imperative both for the efficient prosecution of the war and for the safeguarding of the vital economic interests of the nation after the war.

Strategic and economic considerations will determine the

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choice between the increase of the home production of war supplies, including the supply of essential articles for home consumption, and the indirect method of mobilising man-power for our export industries and obtaining supplies through exports. The main strategic factor influencing the decision in the present war is whether the threat to the continuity of home production by the air is more menacing than the dangers facing transport of goods from and to oversea countries. If the air-threat is considered very acute, essential supplies particularly exposed to that threat will have to be produced in substantial quantities abroad, because, as we shall presently see, there are alternative, emergency methods of obtaining imports without current home production and export.

Economically the choice will depend on which of the essential factors of production is most scarce, what the most acute "bottleneck" is. If we must primarily economise in shipping space, our policy will have to be different from that which we ought to pursue if our main aim is the most efficient use of man-power. If again we were to find that our power to buy abroad was becoming limited, we should have to make still greater efforts to increase home production. In either case the character and the current state of our export markets will influence the decision, since favourable terms of exchange between our own products and those which we need abroad will affect both the need for shipping space (we can import dearer, but less bulky articles) and the productivity of our labour. This will, of course, vary with the price we get for our goods abroad. Nor can one lay down simple rules of precedence in these matters. In general our choice will be determined by four factors. (a) The volume and quality of labour available at home. We still possess considerable reserves in the shape of unemployed and leisured people. Their employment represents a net gain for our productive power. It is uncertain, of course, to what extent this reserve can be used to increase export, though it may be

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possible to use it (even though it would not be very productive) for home production of goods which would otherwise have to be imported, *e.g.* in agriculture. (b) The nature of the transport problem: *i.e.* does the import of semi-manufactured articles, *e.g.* copper instead of copper ore, and so forth, or products of a higher stage of production, *e.g.* meat instead of feeding-stuffs, save so much shipping space or labour as to offset the additional cost involved? (c) The productivity of labour in the production of goods which have hitherto been imported as contrasted both with its productivity in export industries and with the productivity of labour in the same industry abroad. It would be foolish to transfer cotton operatives to agriculture if their productivity on the land is very much lower than in the factories.

This will, of course, very much depend on (d), the state and absorptive capacity of our export markets. If our export industries were to have to lower their prices sharply in order to sell more, there may be no advantage in forcing the sale of exports, as the productivity of labour (*i.e.* the volume of the goods which we can obtain for the goods exported) may fall below its productivity in the alternative (and originally less advantageous) home production. It must not be forgotten, however, that our purchases from abroad are bound to increase the national income of the countries from which we buy, *i.e.* increase also their demand for our own products, though this may take some time to become effective. This factor must not be left out of account in deciding on our economic war plans.

These considerations make it plain that the planning of our economic war effort necessitates careful and co-ordinated research into the factors determining the productivity of our effort, among which the state of our foreign markets is, perhaps, the most decisive.

A further method of increasing the output of essential products is possible, at any rate for rich communities. They have to rely in the main on their current economic effort—

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home production and imports paid for by the export of goods currently produced. But they can also draw on their accumulated stock of capital assets. These capital assets again must be viewed not in monetary terms (*e.g.* the title to property, the ownership of shares, the possession of government securities or bank deposits) but as the accumulated real capital of a country in the shape of productive equipment (*e.g.* roads, railways, factories, houses, &c., together with stocks of goods).

Only by reducing the volume of accumulated stocks of commodities or by not renewing our physical capital equipment as it wears out in current production are we able to draw on the effort of the past so as to transfer the real burden of a present achievement "on to the future". By these means, if we are willing to adopt them, we are enabled to consume or use for war purposes goods without equivalent present productive effort in replacing them, and similarly to utilise for the same purpose the productive factors hitherto employed in maintaining our capital plants. This can be accomplished at little risk in some directions such as roads, buildings and the plant of industries which produce such non-essential goods as cannot easily be exported. In essential industries (including railways) the feverish rate of output will demand increased effort on the maintenance of plant if a sudden complete breakdown necessitating very considerable new capital investment is to be avoided. The fact that the Nazis for two years past have run the risk of such sudden calamities by concentrating all their productive effort on obtaining the maximum military striking power in a minimum of time was the clearest sign of their determination to pursue their policy of aggression. It should have been an irrefutable warning to those who professed to believe in the assurances of the Nazi leaders. No country that is not bent on catastrophic policies can incur the risks which are implied in the gradual but quickening ruin of its industry which results

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from failing to provide for the renewal and maintenance of its plant.

Lastly, apart from using its accumulated internal capital equipment a country can also temporarily supplement its own productive power by liquidating its claims on foreign countries or selling its foreign assets and, finally, by contracting loans abroad and using the proceeds to acquire essential supplies. By selling foreign assets or incurring debts abroad a country does determine by its method of finance whether the sacrifice necessitated by the war effort is borne currently or "shifted on to the future". The temporary alleviation of the war strain by the use of reserves accumulated abroad definitely shifts the burden on to the future. The future loss of real income, however, will in all probability not be restricted to the cessation of the income from these assets. If this country after the war wanted to maintain its imports on the level it could afford when it still had the income from the investments sold during the war, it would have to increase its exports to the extent that its foreign income had diminished. But, if the sale of its foreign assets had been necessitated by the reduction during war time of its exports rather than an increase of imports, it would almost certainly encounter difficulties in recapturing its lost export trade. And the *additional* increase in exports necessary to maintain imports at the old level could hardly be accomplished without a reduction in their price. There will arise, therefore, in all probability, an additional loss, the magnitude of which depends on the unwillingness of our former customers to resume the purchase of our products. If, as a result of the war-time loss of export markets, strong vested interests have grown up abroad which have the power of forcing their governments to protect them, this additional loss might be serious.

The unfavourable repercussions of the liquidation of our foreign assets would not end there. The control of foreign companies and the intimate connections to which they give

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rise not only tend to give decisive advantage in the export business but also lead to the establishment of an entrepôt trade in which the creditor country becomes the central agent of the producers. It gives rise to shipping, insurance and banking business, all highly profitable to the country which controls important foreign companies. The rise of London as a financial centre in the widest sense of the term was to a large extent due to its position as the main international creditor on short and long term. The annual foreign income derived from these functions before the world crisis beginning in 1929 was £80 millions, which together with a net shipping income of £130 millions was only slightly less than the return on foreign long-term investments at £250 millions. Together they amounted to not less, indeed probably more, than 10 per cent. of the national income. The loss of the greater part of this foreign income—which, as shown below, has already in peace time fallen by, say, £160 millions per annum—would have disastrous effects on the standard of life in Great Britain, and the Government's policy should be to avoid it by any means possible.

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THIS analysis has shown the main factors determining the real economic strength of a country. The next task is to compare on this basis the position of the Allies on the one hand and that of Nazi Germany on the other.

The population of Nazi Germany and of the countries it has overrun is over 110 millions. The population of Britain alone is just over 45 millions, France some 42 millions. Thus the man-power available in Europe to the Allies is inferior to that of Nazi Germany. But this calculation disregards the British Dominions, India and the colonial territories of the two Powers. The share of the Empire and of the French colonies in the last war, both in the military and

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in the economic effort, was very substantial indeed. All signs point to the conclusion that in this second ordeal their contribution will not be smaller. Considering the high technical skill and the vast natural resources of these countries and territories, their participation (though exact calculation is not possible) shifts the balance of man-power definitely in favour of the Allies.

But the Allies possess other and even more important advantages. At least 30 millions of Czechs, Slovaks and Poles now under Nazi domination are bitterly hostile to the régime which subjugated them. They cannot be trusted by the Nazis. If they are compelled to labour for their temporary masters, they certainly will have to be strictly supervised, thus absorbing and wasting Nazi productive power. Their conquest is not an unmitigated gain. The Polish population, moreover, lost a large part of the small productive equipment which it possessed prior to the war, and its working efficiency is much less than that of workers in Britain and France.

Command of the sea gives another most important advantage to the Western Powers. Since its very inception the Nazi régime, in planning its preparations for war, has done its best to render Germany economically independent of overseas supplies. The reason for this drive for self-sufficiency which culminated in the so-called second four-year plan has often been misjudged in other countries. It did not arise inevitably out of the character of the new Nazi economic system. The rigid control of foreign trade and internal economic activity need not be accompanied by an uneconomic use of available productive factors. The reason for this policy, which, as we have seen above, necessarily reduces the productivity of the country, was wholly non-economic. Like the dangerously intense expansion of the armaments industries, it was due to, and another clear sign of, the preparations for that aggressive policy which the Nazis intended from the outset to pursue.

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They were aware of the vulnerability of their geographic-economic position and tried to render ineffective the blockade with which they had to reckon as soon as the peaceful countries decided to resist. When they came into power, they found huge reserves of unemployed labour and capital at their disposal. The mobilisation of these reserves enabled them to increase productivity per head of the *total* population. Hence the fall in productivity per head of those already employed—disregarding those not employed—due to this policy of self-sufficiency was not immediately apparent. In comparison, however, with foreign countries, such as Britain, this factor must be of considerable importance.

The more spectacular efforts in this respect, such as the production of synthetic rubber, wool, &c., are not really the strongest factors making for a fall in productivity per head, though the shortage of coal and electric power experienced in the last two years may be partly due to the uneconomically large demands for energy which are made by the processes involved in the production of these substitutes. Much more uneconomic and wasteful in man-power is the drive for self-sufficiency in utilising home-produced ores of poor quality and above all the drive for increasing the agricultural output. So much has been written in the last few years on the relative command over natural resources of the Great Powers that detailed statistics in this connection are superfluous. The tremendous superiority of the Allies in this respect is common knowledge. The help of Russia or the extension of Nazi dominion over areas rich in natural resources might in time mitigate this basic economic weakness of Germany. But an intensive international division of labour between the Nazis and Bolsheviks, which could ultimately increase the productivity of both countries substantially, is not possible in the short run. And the countries which Germany could subjugate, except possibly Yugoslavia and Rumania (though German domination over the latter would in all probability not be tolerated

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by the Soviet) are poor in capital equipment. Capital investment could there again increase output; but it would put a new, if temporary, burden on the Nazi economic system, which is already strained to the breaking-point. *If* the material wastage of the war continued to be small *if* the political resistance to Nazi domination in the Balkans decreased, *if* Russian industrial affairs could be improved by the sending of technical missions alone, Germany's economic power in the longer run, say after two years of a quiescent stalemate in the West, might well improve. In the meantime, however, *provided they made a determined effort and used determined and efficient methods*, the Allies would have developed an overwhelming superiority in armaments. It would be the extreme of folly, however, to suppose that time alone without our own exertions is working on our side.

Nor is this all. The possession of great long-term capital assets secures Britain a foreign income which even after the painful losses experienced since the great depression amounts to some £200 millions. To this has to be added some £100 millions of shipping income and £35-40 millions other foreign income amounting in total, say, to £340 millions. Part of this unfortunately will be lost in any case as the result of the war. Nevertheless, considering the very high productivity of overseas countries and the low prices which have been ruling for the goods we import—they might change against us but are hardly likely to change so much as to alter the *orders* of magnitude concerned—the import surplus which we are able to carry, without an encroachment on our stock of capital assets abroad, by means of the above “invisible exports” may be considered equivalent to the net output of at least two million Nazi farm workers and very probably substantially more. It must not be forgotten, moreover, that the foreign income of a nation represents a net addition to the volume of goods available at home. The workers and the owners of the capital which is used in its production need no maintenance. Hence this income—from the

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point of view of national real income per head of manpower—is equivalent to the existence in Britain of workers and others who would otherwise be needed for its production *plus* the workers who would have to be employed to maintain them in housing, food, clothing, amusement and so forth. The real equivalent of our foreign investment income would therefore be the existence of some 3-4 million additional farm and industrial workers and of fertile land with a sunny climate stretching from the Wash beyond Holland and Denmark.

It must be remembered, however, that all these resources are used now by the population of this country in order to maintain its standard of living. Here lies the profound difference between present-day Britain and present-day Germany. German imports are paid for by German exports. British exports fall short in value of British imports by, say, £400 millions or over £1 million a day.

The foreign assets of Great Britain are usually estimated at roughly £4,000 millions *nominal* value. Some of these investments have seriously depreciated as a result of the economic crisis and of the effects of economic nationalism and, to some extent, because older industries and undertakings (such as railways or cable companies) slowly begin to suffer from a natural process of obsolescence and loss of earning power. Part of these investments are situated in countries which could not take them over themselves in greater quantity at short notice for lack of capital resources and they are not of such a character as to be capable of being sold to other creditor countries. Refunding operations (re-payment of our loans by our debtors borrowing in neutral countries, &c.) and other transactions might enable us to mobilise part of our long-term loans to foreign countries. The *Economist* has estimated the value of assets which could be gradually liquidated in America and elsewhere at some £600 millions. To this has to be added the reserve of gold and foreign exchange in the Central Banks and

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Exchange Equalisation Accounts of the Allied countries. This should by now contain the privately owned foreign cash balances sold to them under the emergency legislation as well as the value of all French assets abroad. It may not be too optimistic to conclude, therefore, that the command of the Allies through their gold reserves and foreign assets over foreign man-power in case of need is somewhere of the order of magnitude of 5-7,000,000 man/years. This *net* addition is equivalent to the possession of more than 10, presumably somewhere between 12-15, million workers within the territory of the country for a year.

The foreign assets of Germany have never been considerable since the war. In 1931, the last year for which we possess reliable estimates, their capital value amounted to some £250-350 millions, *i.e.* less than Britain's total foreign income in one year. The liquid part of these assets had in all probability been used already in pre-Nazi days to repay debt. But some of the assets frozen during the crisis could be liquidated now. The Nazis have lately succeeded in evolving a new source of foreign exchange by forcing German minorities abroad to return to Germany. Their possessions are then taken over by the Nazi Government and sold to the country from which the Germans are recalled. The minorities in the Baltic States were the first to experience the consequences of this new practice. There are perhaps 2,000,000 Germans still scattered abroad in countries from which mass-emigration can be arranged or enforced. It would be foolish to dismiss the importance of this method completely. But it would be equally foolish to overestimate it. Considering the poverty of most of the countries in question, the difficulties in the way of, and losses consequent upon, such mass-liquidation of property in poor countries within a short period of time, £200 millions is the utmost on which the Nazis can count. It is likely to be very much less. In comparison with the reserves of the Allies and the demands of the war this is a trifling amount. The Nazis

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may also still possess some small reserves from the loot captured in Czechoslovakia and Austria. The Czech gold handed over to the Nazis less than six months before the outbreak of the war will have come in very opportunely. It is probable that Germany has now not less than £50 millions of really liquid assets, primarily gold, which could be used abroad in payment for goods.

It will be remembered that both the British and American Governments made huge loans to other belligerents during the last war. But apart from the fact that no means was found of repaying such debts, the neutrality of the United States puts any repetition of them out of court. Furthermore, under present American legislation no public, non-government loans may be made to any belligerent. Thus this method of supplementing current effort is not likely to play any part, at least until circumstances entirely change. Yet even so the Allies are in a better position than the Nazis in possessing an unshaken credit with private investors throughout the world. They can, moreover, utilise their command of the sea and their consequent position as the chief purchasers in world markets to obtain credit for at least part of their purchases directly from their suppliers. The Nazi Government has, of course, obtained the promise of some credit from the Soviet. How important this aid may become is difficult to judge. To provide it Russia could undoubtedly impose some additional forced saving on her population, and its national output could—given a reorganisation of its productive apparatus and the supply of skilled technicians—be increased within not too long a period. The Nazis will presumably also extort some supplies without payment from those countries whose geographic position places them at their mercy. But most of Germany's neighbours are not strong enough to open long-term credits for her. Though it is rash to prophesy on this point, it seems clear that the Nazis are at a very definite and considerable disadvantage even in this respect.

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It is necessary, however, to sound a strong note of warning. A rich man with plenty of securities may live well and abundantly on the income he receives from them together with the income he earns. If he is forced by some emergency to sell his securities, he can temporarily use the proceeds of their sale. Thereafter he has lost both them and the income from them and is in a much worse way than a poorer man living always within his means. This was the position the Allies had reached in March 1917. Had not the United States come to their aid and in the next eighteen months lent them some £2,000 millions, their war effort must have been greatly reduced at a moment of grave peril. Once the liquidation of foreign assets is accomplished and the credit of a country is exhausted, the extent of the potential maximum effort of that country will drop sharply even below its initial level, since with its foreign capital it has lost the title also to its current foreign income. This consideration should play if not a decisive—in war the achievement of victory is the only decisive consideration—at least a very important rôle in determining the Government, at the risk of any sacrifice demanded from the people, to conserve as long as possible its foreign assets and to accustom the country to live as far as possible on current production.

We may conclude, therefore, that the potential maximum limit of the war economic effort of the two democratic Allies is far superior to that of Nazi Germany. There is thus no reason for despondency or defeatism. We must now turn to the analysis of the actual effort exerted by the three countries. This analysis will indicate the magnitude of the tasks still facing Great Britain and France and help to determine the methods by which they can be fulfilled.

III. WAR PREPARATIONS COMPARED

THE high scale of Nazi rearmament has been known for a considerable period, though official budget figures were suppressed as early as 1935. Two methods are avail-

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able to foreign experts for arriving at a considered estimate. The first is based on financial statistics, the second on the statistics of employment. These independent methods yield estimates which closely correspond, thus tending to justify the methods used. The picture which presents itself is clear:

The Old Reich only

	1928	1932	1933	1934	1935	1936	1937	1938	1939
National income	75.4	45.2	46.6	52.7	57.9	64.9	71	76	
Gross investment									
Rm. milliards	13.7	4.2	5.1	8.3	11.2	13.8	16	18.5	
Employment mil- lions (April each year)	18.8	13.0	..	..	..	17.4	18.9	20.0	21.6
Consumption goods	..	76.3	82.6	92.4	88.2	98.7	104.6	112.5	116.8
1929 = 100									June
Capital goods	..	34.4	43.6	72.6	99.4	113.2	123.4	136.2	147.8
		1933-4	1934-5	1935-6	1936-7	1937-8	1938-9		
Estimated lowest limit of expenditure on arma- ments out of taxation, loans and short term credits. Rm. milliards.	2.75+?	4.75+?	7.4+?	9.6+?	13.5+?	25+?			

The lower limit of the Nazis' total expenditure on rearmament since their arrival into power is Rm. 62 milliards. Hitler, announcing the attack on Poland, stated that the total expenditure of the Reich since 1933 on rearmament was Rm. 90 milliards. This is far above the amount obtained on the basis of known statistics and may well have been grossly exaggerated in order to impress and frighten the democratic countries. But it would be prudent for our purposes to assume that war expenditure in the six and a half years of Nazi despotism has amounted to some Rm. 75,000 millions or, say, some £5,000 millions. This is a staggering amount. The statistics of employment explain the mechanism, but do not detract from the magnitude, of this achievement. When the Nazis were put into power the number of unemployed had reached the catastrophic figure of over 6 millions. This unemployment was completely absorbed. The Nazis, moreover, forced into the production-process people who had

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never been employed before: women and girls, or men who had been artisans or employed in distribution and in other tasks which, while from the point of view of welfare were by no means unproductive, were not actually productive in material. The increase in employment (excluding the army) was over 8 millions, or well over 60 per cent. From 1934 onwards the increase in the output of consumption goods was only 15 per cent. The increase in the production of "capital" goods was 100 per cent. The private investment of capital, as we mentioned above, remained at a very low level. In certain directions it did not even cover maintenance of plant. The inevitable conclusion is that the bulk of the increase of employment, some 5 millions or possibly even more, was used for purposes of providing armaments. Consumption was kept down to a level only slightly above that reached in the depth of the great depression, by means of taxation, direct regulation and rationing, which cut down purchasing power in spite of increased output, enforced the saving of the remaining income, and canalised it for the purposes of the State.

British and French expenditure, at any rate in the first part of this period, was of an altogether different order of magnitude.

Britain (£ millions)	1934-5	1935-6	1936-7	1937-8	1938-9
National income	4,250	4,550	4,850	5,200	5,000
Defence expenditure	113.7	137	186	262	400

France (frs. milliards)	1935	1936	1937	1938
National income*	172	189	212	250
Defence expenditure	10.5	19.1	27.0	57.5

Even if we convert the franc at the rate of Frs. 140 to £1 for the last two years, which is probably justified in view of the differences in the character of the Army and the lower level of wages, the combined annual expenditure of the two Allied countries does not amount to more than, say, £750 millions in 1938 and very much less before.

* The national income of France is almost certainly much higher than these official figures.

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The Nazis spent on war preparation at the rate of some Rm. 25 milliards, or some £1,500 millions per annum. This rate of war expenditure was equalled only in the third year of the last war by Imperial Germany. There has been no actual wastage in war weapons and ammunition, though it may be assumed that technical obsolescence has not been negligible. Thus the Nazis must have accumulated vast stocks of finished war-material. No account has been taken—as statistical evidence is not available—of the additional effort squeezed out of the territories which have been overrun and the loot there captured, but the policy of aggression must have paid handsome dividends.

National income in Nazi Germany has increased from Rm. 45.2 milliards to Rm. 76 milliards, *i.e.* by 30.8 milliards. State expenditure has increased from some Rm. 10 milliards to almost 39 milliards. The whole of the increase has been due to the expansion of State expenditure: but whereas in the first few years non-State expenditure increased faster than State expenditure, in the last year there was an actual fall of some Rm. 4 milliards in the former field. Consumption has not been allowed to increase much above the very low level of 1932. The Nazis seem to have utilised their limited resources to the utmost and to have succeeded in concentrating all their energies on increasing their striking power in the shortest possible time. The results of this terrific effort must not be underrated. It is their moral front that is weak, partly owing to the strain by which they have expanded their material force. The increase of output was canalised into armaments. In the same period of years the British gross national income increased from £3,000 million to £5,500 million. State expenditure increased from £700 millions to £1,050 millions only. Almost the whole of our net savings, amounting to some £500 millions in the more prosperous years, was used for private investment. Only in 1938-39 was there a considerable budget deficit, and even then it amounted to not more than £128 millions. The figures for

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the current year will, of course, tell a different story. But up to the very occupation of Prague the British economy was a peaceful economy in the sense that by far the greater proportion of the increase of the national income was allowed to go towards raising an already high standard of life.

We may now sum up. It is clear from the above considerations that the potential superiority of the Allies is very great, and, unless Stalin extends more effective and immediate help to the Nazis than is probable, overwhelming. No complacency is justified, however. All signs point to the conclusion that the Nazis have assembled huge stocks of weapons, ammunition and other necessary supplies, sufficient to wage war for some time, and, if the present quiescent stalemate continues, even for a long time. Nor must one underestimate the staying power of the Nazis, should they succeed in re-organising the economy of Russia and other neighbouring countries during that period.

It is essential, therefore, that the potential economic power of this country should be utilised to the utmost possible limit without any delay, notwithstanding that in the next period of war the Nazis will hardly be able to increase their economic effort, since they are already running at full speed, and mobilisation must under these circumstances have affected adversely their productive capacity in spite of the gains made in Poland. It is also essential to bear in mind that no sudden breakdown of Germany must be expected on economic grounds alone, though hopes for an earlier decision based on social, political, and moral grounds may be more justified. Hence our effort must be planned so as not to weaken our reserves of foreign assets in the short run. This consideration becomes decisive when we remember that the productive capacity of this country may be interfered with by enemy action. The existence of reserves enabling us to use the productive power of overseas countries thus stands out as the most important point of superiority over Nazi Germany and the vital factor in winning the war.

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II. BRITAIN'S ECONOMIC PROBLEM

I. THE MAGNITUDE OF THE TASK

IN the first part of this article an attempt has been made to analyse the comparative economic power of the belligerent countries. The basic superiority of the Allied Democracies was found to be very great. The comparison of the actual effort exerted in preparing for the trial of strength did not yield as favourable results. In Great Britain the standard of life has risen phenomenally since 1933 owing to the recovery in business and the expansion of production, and France until recently has been suffering from the consequences of mistaken economic and monetary policies, while Nazi Germany has concentrated almost the whole of its expansion of production (which was of the same order of magnitude as that in Britain) on rearmament. This analysis indicated that in order to secure a superiority in striking force our total military expenditure would have to be increased to at least £2,000 millions per annum.

Any increase in the available reserve stocks of raw materials, foodstuffs, and finished goods both for the purposes of export and for home consumption (reserves which seem to be essential in view of the possible interruption of production and transport by enemy action) should, if at all feasible, be additional to this £2,000 millions.

It has been shown that this increased effort in war production can be achieved either by mobilising existing but idle reserves, *i.e.* increasing total production, or by lowering the standard of life. In the following pages an attempt will be made first to apply these considerations to Great Britain,

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secondly to establish how far the measures already taken by the Government can be said to exhaust the task, and finally to determine what further steps or different policies, if any, are desirable to increase the effectiveness of the war effort or minimise the sacrifice required.

II. NATIONAL INCOME, CONSUMPTION AND WAR EXPENDITURE

THE gross national income of Britain has been estimated at some £3,100 millions in 1937. It consisted of:

	£ millions
(1) Consumption of goods and services by private persons minus indirect taxes	3,700-3,900
(2) Maintenance of the existing capital equipment	400(?)
(3) Net investment, <i>i.e.</i> increase in the capital equipment of the country or in the volume of stocks	450-500(?)
(4) Government expenditure on goods and services	475

Not included in this estimate of the national income are services which are rendered without payment, *i.e.* all work accomplished within households. This, as we shall presently see, is an important consideration for the war economic problem.

In the financial year 1937-38 defence expenditure amounted to only £266.1 millions. The war budget provisionally contemplates an expenditure of some £1,250 millions. In the first part of this article £2,000 millions seemed the figure which would be necessary in order to win the war. The rise contemplated by the war budget is roughly £1,000 millions, and if the assumptions here made are correct it must reach £1,750 millions. The last three budgets imposed new taxation which raised the standard rate of income tax to 7s. 6d. in the £ and the maximum rate of surtax to 9s. 6d. in the £. Yet even if the fall in revenue due to the slump in 1937 and the consequences of the war on tax revenue are disregarded, these increases will only bring in some £260 millions in a full

INCOME, CONSUMPTION AND WAR COSTS

year, or only a quarter of the increase in expenditure contemplated by Sir John Simon.

If taxation is not increased and the budget deficit rises above the flow of savings, prices must rise as private demand and state orders compete with one another for the available supplies. The rise in prices leads to demands for a further increase in wages and a vicious inflationary spiral. Too much has been written on the dangers of this contingency to need detailed elaboration. In what direction can the solution of the dilemma be found?

The first possibility is an increase of production. This will not be easy. We can re-employ part of the male labour now unemployed. There will be some small inflow as a result of the natural growth of the population. But the needs of the army will heavily reduce the man-power available, even if we need not contemplate such an appalling drain on man-power as in the last war. There has been a considerable progress in the technique of war which will necessitate a far greater industrial employment per head of the fighting forces than was the case in 1914-18. On the other hand, the strategical position of the Allies may worsen if countries now neutral join the enemy. Finally, if Britain does not contribute a considerable army for the common defence in the West, France will have to keep a larger army in the field than would otherwise be necessary. It can hardly be doubted that a mobilisation on the scale France has had to undertake seriously weakens the productive power of a country. In deciding the quantity and quality of our effort the economies of the two countries ought, therefore, to be treated as one, if the maximum effort is to be achieved at the smallest cost: for instance, the demobilisation of French skilled workers may well increase common output more than the enlistment of an equivalent number of less essential workers by Britain would lower it.

We must, in all probability, reckon with a slow but steady diminution of the male labour force of the country by some

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2.5 millions. This diminution of man-power must be offset by the employment of women not now occupied if production is not to fall. The possible expansion of the number of women at work has been variously estimated at between 4 and 6 millions. Considering that women with small children can hardly be employed in production, and the difficulties arising out of evacuation and so on, even the smaller figure seems optimistic.

Some additional production could be obtained by lengthening working hours. And measures could be taken to increase productivity or rather to prevent dilution by female or untrained labour from depressing it unduly. If the influence of these factors is analysed the biggest probable increase in the national income may be guessed at some 15 per cent., or say £825 millions. When the fighting forces are at their full strength it does not seem likely to be more than 5 per cent., or say £300 millions. Even if the whole of the increase is devoted to the production of war supplies (or to exports paying for the purchase of supplies from abroad) the deficiency in the long run (*i.e.* when the services have expanded) remains somewhere between £700 millions on the war budget estimates of expenditure and £1,450 millions (*i.e.* £1,750 millions minus £300 millions) if the war expansion which was contemplated in the first part of this article has to be reached.

There remains, however, a second internal reserve of productive power. This consists of labour and capital in those industries normally engaged in maintaining and extending the national capital equipment. This could, as was explained above, within certain limits of safety be used for war production.

These industries were estimated to employ in 1937 £400 millions for replacement and £450-500 millions for additional new equipment and capital goods including services. Expenditure on replacement could hardly be reduced by more than £200 millions, as the intensive war-production

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would certainly increase the wear and tear of machinery. In the main only house and road repairs can be postponed safely.

But a considerable proportion of the money now spent on the improvement and extension of plant and other capital such as roads, houses, ships, &c., could be redirected into war-output. If we have regard, however, to the necessity of increasing our merchant fleet, undertaking further A.R.P. measures and permitting some new private capital issues both to meet changes necessitated by war and to prevent a sharp reduction in the competitive power of the export industries, too low a figure must not be assumed. War-damage may also arise in a later period of the war and require further expenditure on plant and other capital goods. At most we can divert £350 to £450 millions out of the present total of new savings of £450-500 millions which formerly purchased this new equipment, capital goods and services. A diversion of £300 millions may seem at once more conservative and more correct.

The contribution to the war effort from these sources, which do not necessitate a cut in current consumption, will therefore at most be £550-600 millions per annum, probably only £500 millions. This diversion of resources from peace to war purposes may not be possible without great difficulty. Unless the transition is carefully planned and the labour is so used as to necessitate the minimum of shifting between industries—that is to say, unless a carefully worked out schedule of reserved occupations is put into effect and the juvenile labour coming into production is distributed according to plan, a considerable fall in production will be unavoidable. On the other hand, measures can be taken to rationalise production and distribution and cut down waste. This would offset the unfavourable effects of the shifting and dilution of skilled labour. It may be hoped that this factor will play an appreciable part.

By mobilising all available male and female labour, by

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taking measures to increase efficiency in spite of dilution and replacement of male labour by female, by lengthening the hours of work and finally by postponing all maintenance work and replacement not absolutely required and restricting expenditure destined to improve or expand the national capital equipment to the barest minimum necessary for the conduct of the war, we may at best provide an additional £1,325-1,425 millions for military expenditure (including, of course, the building and equipment of munition factories, &c.). Of this amount, as we have seen, £825 millions are derived from the possible increase in total output and £500-600 millions from diverting the production of capital goods from maintenance and improvement to war production.

But in fact it is hardly probable that more than £800 millions would be available from these sources—*i.e.* only £300 millions from the first and £500 to £550 millions from the second source *after* the full expansion of the fighting forces has taken place. Assuming that defence expenditure of £2,000 millions will be needed, there still remains £375 millions in the first period and £950 millions to be found at the later stage. This can only be secured by reducing consumption. These two figures represent 10 and 24 per cent. respectively of the national consumption of 1937. If the Government did not succeed in increasing total output at all, the decline of consumption necessary to accommodate the rise in war expenditure would be crushing. If the cut is not accomplished by a co-ordinated and planned effort, but if, as now seems to be happening, it is left to a rise in prices to eliminate buyers, it will inflict intolerable injustice on the poorest section of the community least able to defend themselves by exacting wage increases.

The steps by which civilian spending on consumption and capital goods will have to be reduced should depend on, first, the essential or non-essential character of the need which these goods supply, and secondly on the ease with which the

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industries or their man-power can be transferred to war tasks (including the possible saving on imports or increase of exports). The less important needs which compete most with war production will have to be eliminated immediately. The cuts in consumption and in use of capital by private *entrepreneurs* will have to be extended as and when the plans devised to increase war production mature and work is available for those who are dismissed in consequence of the limitation of private spending.

The importance of this analysis is to bring out clearly the vital necessity of a co-ordinated, determined effort to increase production and the necessity of reducing consumption of all classes, including, unfortunately, that even of the lower income classes.

The whole increased purchasing power accruing to the population taken as a whole as a result of the expansion of employment will have to be diverted to the state either by loans or taxation. The productive power "set free" by a cut in consumption or private investment in plant must be immediately re-employed, or inessential imports replaced by essential ones, if the sacrifice is to be effective. Whether the man-power set free is shifted directly to the production of essential war supplies, or whether its present products now consumed at home are exported and essential supplies are obtained by exchange, will depend on considerations analysed in the preceding part.

The results of this analysis need not give rise to undue apprehension about the standard of living of the population even in the period of maximum war effort. Money estimates of the national income do not include unpaid services performed within households. Nor do they take account of the present wastage of a considerable part of the commodities and services which are purchased. Harder work at home and the elimination of waste in households can go a very long way to offset the effects on the real standard of life of a reduction in consumption. A reduction of the quality of

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consumption may be imperceptible, but may result in considerable saving, for the community as a whole, of man-power required for production. If we reflect, moreover, that the rise of the standard of living since 1932 has been greater than the cut now required, the outlook seems reassuring, provided the sacrifice is planned consciously and distributed equitably.

Additional war supplies can be obtained without an equivalent cut in consumption if we can, by the sale of our foreign capital assets, increase our imports regardless of an equivalent increase in exports. In 1937 our balance of payments as drawn up by the Board of Trade already showed an adverse balance of £56 millions. In comparison with that year our terms of trade will probably deteriorate if energetic measures are not taken. This adverse movement may well cause a loss of, say, £50-80 millions on our exports, *i.e.* the same volume of exports will buy less imports. Our shipping income will fall considerably because of the disturbance caused by the submarine warfare. The income from miscellaneous services has greatly diminished as a result of the imposition of exchange restrictions. The income from foreign investments has also fallen, though to a very much less extent. The prospective deficit in our balance of payments, even without direct armament purchases from abroad, or a deterioration of our export trade, might well be of the order of £150-250 millions per annum. An increase of this deficit cannot be contemplated except in the direst necessity. On the contrary, a determined effort must be made to reduce it. This will only be possible if there is a similar reduction in consumption of imported goods, or an increase of the export of home-produced goods now used for home consumption.

A further emphatic warning seems necessary at this point. The throttling of imports by exchange control alone, without the maintenance or, rather, restoration of equilibrium between defence expenditure and civilian spending on the

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basis of our available productive power, is useless. If civilian purchasing power is not reduced or diverted from consumption, such control of imports will merely raise internal prices and result in a fall of exports. The resulting deficit will be the same, except in so far as the throttling of imports increases total home production. A depreciation of the currency does not restore equilibrium as long as real consuming power is not cut and if a rise in prices is followed by an equal increase in incomes. It only acts through a fall of consumption, *i.e.* an increase in prices without a countervailing increase in wages. Its action, of course, is pernicious because its incidence is haphazard and because, for a country holding vast amounts of foreign loans, it reduces the foreign real income.

It is certain that, if the Government does not take immediate steps to increase production at all costs, if it does not control consumption equitably, the resistance to unplanned and hence unequal sacrifices will be great. Hence there will be an inevitable tendency to postpone the necessary cuts in consumption and to use our foreign assets to maintain this precarious and basically unsound position. Whilst our foreign exchange reserves are high, the potential drain resulting from such a policy may—and not too slowly—reach proportions which will endanger them. Considering possible future contingencies, considering the increased difficulties of later action and the magnitude of the threat which would result to this country from a really large diminution of our foreign assets, immediate action seems vital.

III. THE PRESENT POLICY

A GREATER part of our present problems would have been eased, if not eliminated, had the pleas of experts such as Mr. J. M. Keynes, Sir Arthur Salter and others been acted upon. We should possess stores of raw materials and essential finished products at home, and we could have

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captured the derelict markets of the Nazis overseas. This, unfortunately, is not the case.

Yet the first days of war revealed that an impressive preparation had taken place and that the Government was striving to avoid the mistakes committed at the beginning of the last war. Severe restrictions, prohibitions and licensing provisions followed each other.

The result is almost all-pervading. There is a control of foreign exchange transactions. All foreign balances are to be surrendered, all foreign assets declared. The overseas supplies of Germany have been cut. Stringent taxation has been instituted and a "black-out" decreed which further discourages consumption and production also. Central control over some vital supplies has been established. Prices of the most important commodities have been fixed, and fixed at a low level. Even in the case of commodities whose price is not fixed the rise of prices is being discouraged and profiteering has been proscribed altogether. New capital issues and foreign trade have been made dependent on Government permission. A complete revolution in the whole economic system has been accomplished. There are still loopholes in all these restrictive measures—especially the foreign exchange and commodity control. But in spite of this a picture of thorough Government regulation is presented.

But this Government control is mainly, if not exclusively, negative. The vital positive action stimulating production has, except for direct Government orders for military supplies, been completely absent. Restrictive regulations, however necessary and excellent they may be from a sectional, departmental point of view, are insufficient.

• Their immediate effect could not be but unfavourable.

1. Export trade was depressed far below the level compatible with the military and shipping position. Germany's terms of trade improved in contiguous countries for lack of British competition (take, e.g., coal and textiles in Scandinavia). We were not able to capture Germany's foreign markets.

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2. The considerable foreign income accruing to the London market in return for various services must be considerably reduced because of the operation of the foreign exchange control.
3. The "black-out" has decreased the productive capacity of the country and ruined certain industries.
4. Price regulation was attempted without any effective control of supply and demand; thus widespread friction was caused and stocks of certain goods frittered away.
5. People's earning power was destroyed without their being used in the war effort. At the same time no effective steps were taken to control current consumption and prevent hoarding of essential commodities. Unemployment increased, but retail sales expanded.
6. Government expenditure is rapidly growing. If at present private spending is depressed for other reasons, it will probably rise again, thus endangering the stability of the price level and of the economic war effort.

The contradictory policies which were followed, and the paradoxical position indicated, for instance, by an actual increase of unemployment, have stimulated a determined and not altogether disinterested attack on the system of controls in general. Some people believe that an increase in national production and of the effectiveness of the war effort could be secured by "freeing business from unnecessary restrictions" and by "strict Government economies". Closer analysis of the position suggests that these hopes are largely based on fallacies.

In the first part of this article it was indicated that pettifogging economies are useless if the man-power set free in consequence is not immediately re-employed.

In the absence of controls and with the experience of the last war and post-war period still vividly in the minds of everybody, it would have been difficult to avoid a scramble for commodities, foreign exchange and other "real assets" if the principle of the freedom of markets had been maintained. Heavy taxation and deflationary credit policy could not have prevented depositors and others from using their

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liquid resources. The "free interplay" of economic forces would have meant an intolerable worsening of the position of the poorer classes, as the *entrepreneurs* faced with the unknown new risks resulting from the war would not have ventured their capital unless they could count on high profits. *Laissez-faire* is a policy wholly incompatible with the social and political necessities of war.

Certain direct controls over economic life were therefore essential to conserve our economic strength. But in an economic system so completely regulated, restricted and controlled as the British economy has become the motive power of a free economic system cannot exert its stimulating influence. When prices are controlled and such profits as are left are taxed away, whilst uncertainty about the future, especially about future earning power, is considerably increased, the individual *entrepreneur* does not and cannot be expected to venture his own capital. The state may take away his profits but is not going to guarantee his losses. Small wonder if he prefers to discontinue production unless he obtains direct Government orders. These are forthcoming in increased volume. But if we wait until the increased employment on war production raises civilian demand, vital time will be lost and productive power wasted. When this point is reached, moreover, far stricter controls will be necessary than would suffice now. Nor would this method solve our foreign exchange problem. There would be no stimulus for expanding exports, unless sterling were to be depreciated further in order to increase the attractiveness of selling abroad. But a process of repeated depreciation is a dangerous weapon in any case, and fatal for a creditor country. All obstacles to business not prejudicial to the conduct of war should be removed. But it would be far too optimistic to assume that without positive stimulus that effort can be achieved which seems necessary to win the war.

THE METHOD OF ECONOMIC MOBILISATION

IV. THE METHOD OF ECONOMIC MOBILISATION

IT is not possible in this context to try to determine in detail policies which must be followed to achieve the greatest possible effect. Nor can the organisation be described which is necessary to elaborate policy and secure its efficient application. Most of the measures necessary follow from the analysis of the task and of the policies hitherto adopted. It is not enough to prevent export of capital, to cut off Nazi supplies from overseas, to increase taxation and discourage private spending and investment. We must increase exports in order to replenish our exchange reserves and keep our overseas markets. We must wage an active economic warfare weakening the Nazi hold on contiguous markets. We must have and put into effect a co-ordinated plan for increasing the output of exports, necessities and armaments over a period of years at the smallest cost. We must have a thorough inventory of available man-power and capital equipment, a continuous study of export markets so designed as to minimise losses and delays. Measures are required to begin the training of labour in order to be able to expand production. It is not enough to wait until the rise in prices or the loss of present employment forces women into essential industries. A clearer initiative has to be taken. At the same time measures must be devised to minimise the resulting inconvenience to families by establishing and expanding welfare services. The task of increasing production must be tackled on the basis of a logical plan or otherwise friction arises and valuable time and energy is wasted. The time factor is a vital consideration in war.

(a) Production

The present impasse in production, which has already resulted in considerable waste, is due—apart from direct restrictions—to the uncertainties facing the *entrepreneur*. This must be eliminated by co-ordinated planning and

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co-operation with industry and commerce. The conversion of industry for war production should be organised in such a way as to minimise the loss to the community, *i.e.* non-essential industries whose products cannot be exported should be converted to war production first and their man-power diverted to the fighting services and other industries.

The effective reorganisation of production for war supply on a basis determined by the considerations discussed above will take time. But already during this period the full productive power of the country should be used for the prosecution of the war. Non-essential home consumption should be restricted in all commodities which are exportable or needed for war purposes or which involve unnecessary imports. For commodities which can be exported measures must be taken to prevent their production being discontinued owing to the restriction of home consumption. It may well be that sales abroad cannot be organised immediately. The opening of new overseas markets takes time. In that case exportable products might possibly be stocked, preferably abroad, outside the area vulnerable to air or submarine attack. This is our only method, however difficult it may be, of accumulating potential foreign exchange reserves. The same consideration applies to the production of essential supplies for the home market. Stocks of goods for essential home consumption should be assembled in relatively non-vulnerable places, if we are able to produce or import more than we need at the moment. The fact that production or available imports are for the time being higher than rationed consumption is no reason to increase consumption before considerable stocks have been assembled. The view that rationing is to be imposed only after shortages have made themselves felt is paradoxical and extremely dangerous. Rationing must be imposed to safeguard the even flow of supplies in future and to equalise sacrifice at present.

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(b) *Exports*

In peace time two methods are usually applied to increase exports. They are deflation and depreciation. The first consists in reducing home demand for the product of industry by taxation or credit restriction. This method is impracticable now. Or exports could be stimulated by depreciating sterling, that is to say by increasing the price in terms of sterling of goods sold abroad. This method also has serious drawbacks for war economics. Its psychological repercussions are unfavourable. And it may arouse American hostility. Nor would it—unless we depreciated the pound sharply—make exports attractive enough to employ *all* available man-power. It tends to cheapen the whole of our exports abroad whether this is necessary for increasing our sales or not. It also tends to increase the price of all imports. The rate at which we could exchange our products for foreign commodities would therefore worsen if we depreciated the pound. And we have seen that it is, to a large extent, on this rate that our power to wage war depends.

There are industries which could profitably export even in present circumstances. All obstacles in their path should be cleared away. But there are others which cannot at the present level of prices and costs face the increased risks of export. These industries should be given direct Government help. Their products should be bought at fair prices by Government-controlled export companies which could organise their sale abroad. We have already mentioned the importance of taking steps to use the productive power now wasted by means of the accumulation of stocks. These export companies could be charged with the task. The Government has bought the Australian wool clip. Why should that method not be used to maintain and increase our vital exports?

Steps must be taken to induce the countries from which we obtain our supplies to purchase from us at not too

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unfavourable prices. There are several methods by which we can generally persuade foreigners, now that sterling is strictly controlled, to buy from us if they want to sell to us, and there are few large buyers left on the world market. The should be used firmly.

(c) *Consumption and Financial Policy*

Internal financial measures when a full system of direct controls is in force are, from the point of view of war economics, almost irrelevant. The question whether there can be "inflation" in such a system (a problem which has been discussed *ad nauseam* with respect to Germany) is beside the point. If the powers of control over consumption and private expenditure on capital are made effective there can be no inflation: the individual is not permitted to use his purchasing power beyond his rations: if he earns more he is forced to invest the rest in Government securities or to hold increasing cash balances, *i.e.* to hoard. The method of finance has its importance, not economically but socially. A system of all-pervading rationing and controls is not only irksome and wasteful, it is also less elastic, less able to withstand shocks than a freer system. Hence rationing ought to be restricted to essentials. This will not be possible without inflation, *i.e.* without a rise in prices, if private income available for expenditure are not reduced to the level at which they can only just manage to purchase the reduced volume of goods and services available for consumption at the existing prices. Identical results can be achieved if the population can be induced to refrain voluntarily from using in the purchase of goods its income above that level; that is to say, if the population can be induced to save and put its purchasing power at the disposal of the Government by subscribing to war loans.

The main problem is, therefore, whether expenditure on consumption should be held in check (a) by taxation or (b) by the Government borrowing from all classes, either volun-

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tarily or compulsorily. In certain respects it is undoubtedly better to hold down consumption by taxation rather than by piling up a huge debt. But for this taxation to be effective it must be spread over every class of the population, and this will be recognised if it is remembered that three-fifths of the consumption of the country comes from those with an income of under £250 a year. Direct taxation must have almost reached its limit, unless it is to be assumed that all the income-tax-paying class must in future lower their standards considerably as the richer sections undoubtedly must do now or else live partly on their capital. Further direct taxation may be possible if security of employment and fair profits are safeguarded by the war system in force. The wide effect needed can indeed only be achieved by taxes hitting consumption directly, *e.g.* by a discriminating sales tax on consumption goods and services, which in the case of non-essential consumption should and could be high. In default of an almost universal willingness to subscribe to war loans, increased savings will have to be enforced, as Mr. Keynes suggests, by deducting a proportion of incomes at the source and blocking them for the duration of the war.

It should be realised and made clear to the public that some reduction in their consumption is necessary even if employment is increased. Otherwise the process of wages chasing prices is inevitable if the war is to last for any length of time, if our war effort is to render us safe from Nazi attacks and, last but not least, if we do not wish to exhaust our irreplaceable foreign reserves prematurely. It is deplorable that this necessity has not already been made clear to the public. We cannot use our commanding position astride the main commercial routes of the world unless we export, and we cannot export as much as we should if we do not limit our consumption.

The potential economic power of Britain is vast. The task already accomplished, in spite of the slowness in using it fully,

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justifies optimism. An even more important reserve is available in our moral strength and unbounded willingness for sacrifice. Once the position is grasped firmly and explained calmly and openly, the British public will face it courageously. It can face it with confidence.

THE HOME FRONT

I. CONTRASTS WITH 1914

ASAYING on the lips of nearly every one who can evoke adult memories of 1914 is "How much this war differs from the last!" And indeed the immediate reactions of Great Britain to war have been singularly unlike in the two cases.

In 1914 war came to the man in the street as an almost complete surprise. Down to the ninth of the thirteenth of the month, the days which shaped the catastrophe, he thought that the crisis was only a newspaper story. It would settle itself as the crises of 1911 and 1912-13 had done; Britain would not be drawn in. And when at the eleventh hour the question of British participation became crucial, sharp disagreement shook the Cabinet and were partly revealed in the press. It was only the episode of Germany's attack on neutral Belgium that brought unity back and enabled all the main parties at Westminster to rally their adherents for a national struggle.

In 1939 there was neither surprise nor disagreement. Both had spent their force a year earlier, during the day before and after the Munich negotiation. Since then, and more particularly since the destruction of Czechoslovakia in the intervening March, the evidences had multiplied that Herr Hitler's was not a limited ambition. The nation had begun to realise that Europe could not go about its business indefinitely with the Damocles-sword of German aggression suspended over it. The Government's decision to treat the Polish issue as a test-case was clearly understood and fully supported by all parties; and such opposition as there was to it never grew to be more than a camarilla.

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On each occasion the plunge into the unknown was accompanied by a particular fear. In 1914 it was fear of financial collapse. The writings of Sir Norman Angell and others had fostered a confused notion that war would entail universal and almost immediate bankruptcy, and so end itself, like a sort of Samson, by pulling down the pillars of the temple on its own head. In the event, of course, nothing of the kind happened; the financial pillars upon which European capitalism was upheld proved much tougher than had been expected. But the fear was not hastily exorcised. Its persistence accounted in part for the extreme gentleness of the 1914 War Budget, as judged by 1939 standards.

The corresponding fear in 1939 was that of devastation and massacre from the air. It seemed warranted by the examples of Spain and China. In a sense it was borne out by the experience of Poland. But week followed week without any attempt being made by German aviators to attack the centres of British civil life; and gradually it came to be seen that there were reasons why they might not. The aeroplane's great successes as an engine of destruction had all been achieved under conditions of extreme inequality, against enemies largely, or even wholly, unprovided with either anti-aircraft guns or defending aircraft. Moreover, the bases and goals of the raiders had usually been not much over 100 miles apart, so that the mileage flown per bomb dropped was economical. Neither of these conditions obtained as between Germany and Great Britain; nor could the second ever do so, unless the German armies, as in 1914-18, occupied Belgium or Holland. Moreover, all the small-scale experimental bombings attempted by German fliers against British targets, or by British fliers against German, have shown the effectiveness of air defences, and especially of the newest anti-aircraft guns, to be greater than had been supposed. It may be that the special fear in 1939 will prove no better grounded than the special fear of 1914. But in to-day's case the effects of the fear remain. In the

opening months, during which no civilians were bombed, the possibility that they might be gave rise, not only to special expenditures totalling many millions, but to special displacements and interferences with daily life which have taken heavy toll of the country's normal working efficiency. It would be too much, of course, to say that the remedies have proved worse than the disease; but it has to be admitted that without dropping a bomb on a British city the enemy has obtained by the mere threat to do so some at least of the results that might have been hoped for from the performance.

Yet another great difference lies in the measures taken to expand the Army. In 1914 we relied wholly on voluntary recruiting, and it was not till after the opening series of French and Belgian disasters—checked but not retrieved by the Battle of the Marne—that the need arose for us to employ forces on the continental scale. A consequence (since the troops had to be raised by persuasion, not compulsion) was the famous national "recruiting campaign" of 1914. Its unique value lay less in the memorable central meetings addressed by the leaders of both Front Benches than in the numberless local meetings, which were multiplied in every constituency, and in which every variety of local leader or public man took part. And its effect went far beyond its original purpose. It became, in fact, a great engine of popular education, through which the British peoples, till then largely unfamiliar with European politics, were given their bearings and shown their course. It instructed not only the millions who heard the speeches, but also most of the thousands who had to make them.

But in 1939 voluntarism was replaced by conscription from the outset. Already during the spring Parliament had accepted in the Militia Act the compulsory principle. After the outbreak of war another Act was quickly passed empowering the military authorities to call up further age groups, as and when they might need them. From the

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standpoint of organisation this is a better and smoother-working plan. In the months before war started an enlarged machinery for training new troops had been developed to deal with some 200,000 militiamen; and it has been a simple matter, as soon as a given set of trainees have completed a given stage, to call up another to take their places. Under such conditions it ought to be possible to avoid most of the delays and confusions which hampered the early training of the Kitchener armies. Yet the basic difficulty of 1914 is still there. It is how to retain as trainers a sufficiency of really good Regular officers, when all the cream of the Army is being skimmed in order to send abroad an immediate Expeditionary Force.

Meanwhile, since no recruiting campaign has been needed for military purposes, nothing corresponding to the 1914 propaganda has been available for civil purposes either. Here is perhaps a real failure to benefit by 1914-18 experience. We have just seen how the nation came to its second ordeal with more unity at the start, and on the whole with more knowledge. But Ministers will be unwise if they presume too long on that. Amid the surprises, the disappointments, the heart-breaks and the infinite tedium of a great war, it is a most difficult task to sustain the morale of a huge diversified modern nation. In 1914-18 successive British Governments were more aware of it than the German, and their awareness had much to do with eventual victory. To-day the boot is rather on the other leg. The contraction of the B.B.C. at the outbreak of war, the restriction of the press by the Ministry of Information and the censorship and the almost complete stoppage of public meetings obstructed simultaneously all the chief channels through which the British public had been accustomed to derive guidance and stimulus. Nothing similar has happened to the accustomed channels in Germany. And this question of national morale is all the graver in view of the quite unprecedented inconveniencies and

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interferences with our normal lives and liberties which war in its modern guise involves. Speeches in Parliament and explanations by wireless can do much; but they lack the vital spark of personal contact and discussion, and it would surely be advisable, now that winter is drawing on and the discomforts of the 'black-out' increasing, for our professional politicians, both M.P.s and candidates, to resume their traditional role as the educators of their constituencies.

II. FINANCE

LET us revert to the aspect of finance. In 1914 the war began on August 4, and the first War Budget was introduced on November 17. In 1939 it began on September 3, and the first War Budget was introduced on September 27. In 1914 the pre-war income-tax rate stood at 1s. 3d. on unearned incomes and 9d. on earned. In 1939 it stood at 5s. 6d. In 1914 the first War Budget raised the higher rate to 2s. 6d.; the second (May 1915) left it at that; only the third (September 1915) brought it to 3s. 6d. But in 1939 the first War Budget raised it to 7s. 6d. And it is obvious that the extra 2s. thus added to the rate after twenty-four days of war was much more onerous than the 2s. 3d. added after 13½ months on the previous occasion; since, the higher the scale ascends, the harder is the screw represented by each extra penny.

Other taxes tell the same story—at least, other direct taxes; the indirect taxpayers (i.e. the mass of voters) get more leniency. Taking income-tax and surtax together, a millionaire deriving £150,000 from investments will now pay £123,387 of it to the Exchequer—equivalent to 16s. 5½d. in the £. And of course heavy death duties lie in wait for anything saved from the residue.

The difference between the *peace-levels* of taxation in the compared periods is accounted for by the fact that the

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second bore the burden of the 1914-18 war debt (Parliament having in the seventeen years between war and re-armament preferred to leave the debt unreduced, save by conversion of interest, and to spend lavishly on new social services instead). But the difference between the *war-increases* reflects a definite change of policy by the *fixchequer*. In 1914 much anxiety, as has been said, was felt about the health of the financial system. Stress was often laid upon two maxims. The first was that borrowing disturbed that health less than taxation, because you borrowed from those who could afford to lend, whereas taxes fall indiscriminately on all, and crushed out business that could not afford them. The second was that, since the yield of even the most heroic taxation must be small in relation to war costs, and you would have to rely mainly on borrowing anyhow, it was bad policy to cripple in advance your lenders. To-day the problem is more extreme and the difficulties of coping with it greater. Direct taxation must now have nearly reached its limit, but the extra revenue will go a very small way to meet the vast and daily increasing expenditure. Taxation, either direct or indirect, will have to be extended over all sections of the community, and even then huge sums will have to be raised by loans also from all classes.

On August 24 the Bank Rate was raised from 2 per cent to 4. In the old gold-standard days this would not have been out of the way—the Bank Rate on August 1, 1914 went up to 10 per cent., and, though reduced to 5 a week later, stayed at that for a considerable period. But under the conditions of a managed currency 4 per cent is a high rate, and in our view it was a mistake to put it so high. The effect of raising the price of money, if it had been maintained, would have tended to damp down trade enterprise and industry. It did help to lower the prices of gilt edged securities, and it certainly raised the cost of the Government's short-term borrowing. Under the present stringent controls a high Bank Rate has in fact little meaning

and this was soon recognised. On September 28 the rate was reduced to 3 per cent., and on October 26 to 2 per cent. These measures induced a rise in gilt-edged securities.

Other contradictions of purpose were inevitable. The payer of direct taxes found himself requested by Sir John Simon to do the following incompatible things: (1) to pay taxes on the highest scale ever levied in the United Kingdom; (2) to make more savings than ever before, in order to subscribe genuine and not inflationary money to Government loans; (3) to maintain his usual scale of spending, so as not to injure trade; (4) if an employer, to dismiss no employees. Of course, to combine all these contradictories is impossible. The most that can be said in defence of the advice is that its recipients ought to give all four points due weight, and reach the best compromise that they can between them.

The reception of the budget by the House of Commons was on the moral side magnificent. Save for a murmur from the Labour party against the sugar-duty, not a demur was heard. Intellectually, perhaps, one might have preferred more discussion. The one fresh light in the picture, the one attempt to pay for the war as far as possible out of war-wealth, is a proposed new Excess Profits Duty. The last war's E.P.D., though productive, was very far from perfect. To what extent will it now be improved on?

III. EVACUATION

THE main alternatives before the Government, when they were forced after Munich to recognise the unpreparedness of London and the other British cities against air-raids, were to provide shelters or to organise evacuation. In the event they adopted both, but with very different degrees of completeness. The "Anderson" steel shelter was an ingenious and effective device, suited to most British dwellings: it was readily mass produced: and within a year, despite the competing demands of rearmament, the greater part of the

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threatened areas could have been equipped with it. But this precaution was only partially adopted. Safety was sought for mainly in evacuation. One argument for this, the more drastic of the two expedients, was the undesirability of exposing children, even if sheltered, to the shock of a bombardment. But the chief reason is probably to be found in a reluctance in some quarters to believe that Herr Hitler, when it came to the point, would really plunge the world in war, and a consequent hesitation to incur heavy expenditure to meet a need that might never arise. From this point of view the merit of the evacuation plan was that, if no war came, it would cost nothing.

Cost again, no doubt, was the chief reason for not preparing for evacuation by building hutments and camps for the evacuees. Plans were made for the compulsory occupation of existing buildings. Whitehall departments were to be housed in the provinces by requisitioning the premises of public schools, colleges, hotels, and other concerns with large buildings. Private houses in the "reception" areas were expected to billet between one and three million other persons, consisting mainly of four classes from London and the larger towns: (1) school children and school teachers; (2) mothers with younger children; (3) pregnant mothers; (4) cripples and blind. They were to be moved and billeted at the State's expense, or rather in part at the hosts'; for save in the poorest homes the sums allowed did not cover the cost; and nothing was announced about recovering any contribution from parents of billeted children till the scheme had been in operation for five weeks. Another kind of evacuation was that of patients from the great hospitals, who were sent to institutions in the reception areas, in order that their former beds might be ready to receive air-raid victims.

These plans were put into execution on the outbreak of war with remarkable speed and efficiency. In a lyrical peroration to his speech in the House of Commons on

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November 2, the Minister for Health, Mr. Walter Elliot, described this "great migration" of 1,500,000 without one casualty within four days as "a bigger exodus than that of Moses" and equivalent to the moving of ten times the Expeditionary Force so far despatched to France. Mr. Herbert Morrison, too, in winding up the debate for the Opposition, treated the evacuation as a vast and mainly successful social experiment. But admittedly there is another side to the picture. It has been freely drawn in Parliament and in the press, and it must not be ignored. It is true, no doubt, that the scheme would have been less criticized if the *Blitzkrieg* had actually happened; but it did not happen, and, though intensive or intermittent bombardment is still an obvious possibility, the situation is not the same as it was when the war began, and the scheme clearly needs re-examination and, where necessary, revision.

One of its weakest features was the requisitioning of premises for the thousands of evacuated civil servants. This was defensible as an emergency measure for a few weeks or months, while hutments were in course of erection, but not for the duration of a three-years' war. To divorce a great public school from its premises for three years is to cripple the school. To close a hotel for three years is to kill the hotel. To close a spa does not end the spa, for its waters remain: but it greatly injures everyone with a present financial stake in it. Yet it was seemingly for the duration of the war that these high-handed requisitions were made, and it was not till the middle of November that the public were informed that sites had been acquired and tenders had been accepted or were under consideration for the erection of hutments to which the officials would be gradually transferred from the schools, hotels, and other requisitioned buildings.

More important, because far more widespread, are the drawbacks revealed in the billeting scheme. The attempt to evacuate mothers with young children was plainly a mistake. For, unless they were widows, it meant in every instance

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breaking up a working-class home. If the authorities in Whitehall proposed to separate the town workmen from their wives for three years, they must have had odd ideas of what such a home is like. Did they fancy that the husbands kept domestic servants, who could run the house in the wife's absence? Did they suppose that they had no physical inclinations and no emotional need for female society? The truth is that if the town mothers had done what they were urged to do—left their homes *en masse* and stayed away for the duration of the war—the nation would have suffered a moral and social catastrophe of the first order. Of course they did not. Relatively but a few went out, and after a few weeks they slipped back home.

The most numerous class of evacuees were the children and teachers from the town schools, and it is the children that constitute the main problem. Apart from the difficulty of separating them from their parents for an indefinite time, there is the very serious question of their education. This has been complicated by the fact that the migration was voluntary and that a large proportion of the children remained in their native towns, where all their schools continued closed till the end of October. By that time so many children were running wild that on November 1 the Government were forced to announce a limited reopening. Educationally, however, the lot of the evacuees has been only a degree better. Evacuation, as a rule, means half-time schooling. Even that is only made possible by halving the time-tables of the local schools, and so the mischief becomes nation-wide. The last war was a great period for educational progress. It would be a calamity if the present war were to prove no less remarkable for educational regression.

It is essential, finally, that the authorities concerned should not be tempted by the more successful aspects of the operation as a whole to forget or belittle the shock it was bound to give to the occupants of the reception areas. The evacuees went of their free choice, but the recipients were

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compelled to take them in. It says much for the good humour and natural kindliness of the average British householder that the invasion was so patiently borne. There was a good deal to put up with. It was disagreeable, for instance, to find that the school medical services of the great cities, including those of the L.C.C., had failed to remove the lice from the heads of so large a proportion of the children in their care. Yet anything suffered in the Home Counties pales by comparison with the fate of some villages in Banffshire and Aberdeenshire, where the cleanest and most self-respecting homes in the United Kingdom have had forced on them the least attractive denizens of the Glasgow slums.

IV. CONTROLS

MODERN war, we are often told, is totalitarian; and certainly it calls for far wider readjustments in civilian life and business than ever before. What the nature of these should be had been considered in advance by civil servants, sometimes getting some guidance from Ministers, and sometimes, though not often fully enough, consulting the experience of the business world. As soon as the war-emergency arrived, these war-plans fell due to be enforced. From the multitude of departments flowed, not successively but simultaneously, a Niagara of orders and regulations covering almost every aspect of life. Nor were these orders merely directive, but creative. They set up not only controls, but controllers. The new posts established at once ran into thousands—filled partly by the diversion of civil servants from old duties to new, and partly by outside appointments. Everything was done in the name of the Government, but it was impossible that Ministers should have much real hand in it. They had given, of course, certain authorisations beforehand. But the details—and often in such cases these make nine-tenths of the difference between success and failure—could not amid the rush be checked even by the Minister in charge, let alone by the

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Cabinet or Parliament. As well try to count Niagara's ripples. The difficulties were rendered still greater by the simultaneous process of removing staffs from Whitehall. The new organisations were set up in scattered provincial places, and important elements in the old ones were likewise dispersed. In the first seven weeks of war between 11,000 and 12,000 civil servants were evacuated from London.

Now it would be absurd to suggest that all this administrative effort was uncalled for, or that a great deal of it was not ably conceived and executed. Over many fields the lessons of 1914-18 had been well learned; so that in this war the country was able to do at once what in the previous war it only arrived at doing after three or four years of painful and costly experiment. But it would be equally absurd to suggest that none of the measures thus hastily launched stood in need of revision or rescission. It was inevitable that mistakes should be made, and also that the process of disbanding a new organisation should prove much harder than that of enrolling it.

Two of the new organisations fell into trouble early. The first was the Fish Control Board. Its mistakes, like many of the least wise things done at this time, were motivated by the fear of air-bombing. To forestall the risk of bombs falling on Billingsgate Market, it was decided to create voluntarily and in advance the very dispersion and dislocation of the trade which their advent might be expected to cause. The result was immediate and visible; fish disappeared from the shops. In vain the B.B.C. was put up to say that they would soon reappear. They did not. The public were so indignant that the Board was abandoned. Fish reappeared in the shops—at any rate in the London shops; though at the time of writing the supplies have still not regained (in smaller towns) the high level at which they were maintained throughout the previous war.

The next victim was the Ministry of Information, a very much larger affair, which is discussed elsewhere in this issue

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of THE ROUND TABLE.* Here it may suffice to note that, in attracting the wrath of Parliament, it and the Fish Control Board acted somewhat as lightning conductors. For these were not the only departments that made mistakes.

It is not the purpose of this article to seek out grievances and make the most of them. Grumbling for its own sake is inexcusable in war time. But it is imperative to draw attention to certain mistaken tendencies, since, if they grow in strength, they may seriously impair the whole national effort and imperil its success. First of these is the tendency to push a reasonable policy to its extreme, or to overdo a precaution by "doubling it for safety". This is illustrated by the decision to restrict domestic coal and coke to three-quarters of last year's consumption in each household. The reasons for limiting the use of coal during the war are obvious, especially the need of selling it abroad to buy the imports that we want. But domestic consumption is only a small part of the total, and a substantial restriction of it would be severely felt in winter in every poor man's home. Such restriction, therefore, ought not to be applied until it is a case of sheer necessity, and obviously that point had not been reached at the outbreak of the war, when a host of miners were unemployed. Happily this restriction has been withdrawn and a hundred per cent. of normal consumption permitted.

Clearly again it is a mistake to push the standardising of goods, especially foodstuffs, too far. The case for standardising rests on that for pooling, and the case for pooling rests on the necessity for concentrating ships and cargoes on certain routes and ports. To some extent standardising is unavoidable, but it was evidently not so with regard to margarine since the attempt to standardise it has been abandoned. Is it fully realised what a vital and beneficent influence at home and abroad, in expanding consumption, educating consumers, and graduating prices to suit pockets,

* See p. 173.

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has been that of the marketing of branded goods? Merely on the financial side, the establishment of world-famous brands represents enormous values based on the sinking of corresponding capital. To wipe them out arbitrarily is a form of confiscation which could only be justified under such conditions of extreme shortage as at present exist neither in fact nor in prospect. It is bound to lower the yield of taxation, bound to injure export trade, and bound also to send up the cost of living, since it always raises prices at the bottom end.

The tendency to press many restrictions and precautions beyond the point of real need is likely, apart from its more obvious disadvantages, to diminish the readiness of public opinion to accept future restrictions which may be vitally necessary. Already, indeed, there are signs of a reaction against bureaucracy and controls on principle which may later prove an obstacle to the effective organisation of our industrial system for the conduct of the war. For more control will eventually be needed, not less—more positive, creative control to secure the fullest use of productive resources and their direction to the most important ends.

V. A FREE PEOPLE

DESPITE all the new machinery of State the British remain a free people. It is true that the Government have passed through Parliament an Emergency Powers (Defence) Act which even goes beyond the famous "D.O.R.A." of the last war, and, if stretched to its fullest capacity, would leave few personal liberties standing. But nobody supposes that it will be so stretched, and Parliament, in the debate on its passage, showed clearly that it would not let it be. The liberties which in Great Britain guarantee the rest are three—freedom of speech and printing, freedom of election to elective bodies, and the supremacy of the House of Commons. As long as these are maintained in

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principle it is a free country. And at present beyond question they are. Though public meetings have been in abeyance, the press provides a large outlet for criticism; and Parliament, as the grand forum for the nation, has been functioning extremely well.

Therefore, if the British stand up firmly to the hardships and menaces of war, they do so of their own will. Nobody has forced them; but freedom has been justified of her children. At the outbreak of the war, under the shock's first impact, the striking spectacle at the British end was the fundamental courage and determination displayed by the mass of the people. A people instinctively sensible in politics, full of "live and let live" towards each other, and anything but rancorous towards the enemy, yet formidably convinced of the necessity for fighting and winning the war.

Wise rulers will respect this freedom, and while conducting the struggle against a very opposite conception of life and society will eschew the mistake of thinking to cast out Satan through Beelzebub. The British are a free people—and a reasonable people. They are ready to make every sacrifice that is needed for defeating Hitlerism. They know that their ways of life must be altered, their business hampered, their liberty restricted. But, if their war effort is to be the greatest of which they are capable, their obedience to the dictates of the State must be the willing obedience of men who understand the reason for it. Normally this understanding is acquired by the full-length process of parliamentary legislation. That is impossible in war time. It is all the more essential, therefore, that those who are set in authority should remember that governmental efficiency is not only a matter of administrative machinery but also of national character and temperament, and that their fellow citizens are more responsive to appeals, however exacting, than to commands, and will yield to reasons of State most readily when they are shown to be identical with reasons of common sense.

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IT is not an easy task to depict the feelings of a great country in the situation of France to-day. But it may be said at once that never has national unity been stronger or internal divisions more completely forgotten. This is a phenomenon which has been repeated every time the existence of France has been at stake. What Poincaré in 1914 happily described as the *Union Sacrée* is in truth something more profound; an instinctive manifestation of self-defence, a coalition of the whole country in the face of danger. But in this general accord there is an infinite number of individual shades of opinion, and in this common effort of response to the difficulties of the moment an infinite number of distinct activities.

I

FOR France, as for Great Britain, this war is only the final explosion of a long crisis, and it is impossible to understand the country's reaction to it without examining the sequence of opinions and events since 1936.

I will take as an example the history of opinion in one party, that of the Radicals and Radical-Socialists. Not only is it the most numerous and the most powerful party, but it is the only one which is engaged in mass-production of statesmen and ministers. A young member of the party who attracts the notice of his elders is at once initiated into the work of government and receives an education which makes him into a minister at 35.

What are the past and present opinions of this party? Until 1936, it can be said, it was determined on peace. Let us glance at the report of its annual congress, held in October

1936 at Biarritz. At the beginning of the session devoted to foreign affairs, M. Albert Sarraut, who was presiding, made a short speech. He reminded his audience that on such a subject there ought not to be disagreement among members of the party, nor indeed among Frenchmen. He stated the Radicals' policy in three maxims. First, that the policy must be at once patriotic and peaceful: "We are unanimously agreed on the paramount necessity of safeguarding the future of France; we stand for a France who wishes peace with everybody, for everybody, and by everybody." The second principle was that France should not involve herself in the internal politics of other nations; M. Sarraut was clearly thinking of Spain, where the Civil War had just begun: "We are also unanimously agreed on wishing freely to direct the peaceful policy of France towards an ideal of universal concord, without meddling in conflicts with which we have nothing to do." Thirdly, he expressed the hope of maintaining, in spite of everything, an organised system of peace: "Faithful to our friendships with those who share this creed with us, we remain equally faithful to the conception of the League of Nations and its Covenant."

The report was presented to the congress by M. Mistler, President of the Foreign Affairs Committee of the Chamber. He spoke on the same lines. "The desire for peace", he said, "is found in every class of French society. It is shown by our statesmen in their devotion to the League of Nations and in their desire for collaboration between the peoples. It is shown with equal force in the minds of the peasant who wishes to be certain of reaping in August what he has sown in the previous autumn, and in the heart of the mother who does not wish her children to be sacrificed one day on the bloody altar of war." The same speaker pointed out that the policy of the party was based on two principles: "First, international co-operation between the peoples; second, national defence firmly secured, so that, should international co-operation be insufficient to create that atmosphere of

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mutual confidence in which efforts for peace can prosper, France may be safeguarded by her own armed strength against sudden and terrible danger from without."

Finally, M. Edouard Herriot said: "My allegiance has always been the same; it has always been devoted, in spite of circumstances and, of course, in spite of scoffs, to the League of Nations." He justified this faith by the whole history of French policy from the time of the monarchy. "It is not only the tradition of the Republic," he said, "it is the great tradition of France, ancient and modern, to defend the small or middle-sized nations; in the past, even when the classical monarchy was at its height, this was the essential principle of our policy."

II

AT the congress of 1937 the report on foreign policy was submitted by M. Jacques Kayser on October 29. The session was presided over by M. Aimé Berthod, Senator for the Jura. He recalled the principles of Radical policy, congratulating the party that it was also the policy of the French Government, although the Ministry had changed (Camille Chautemps had just succeeded Léon Blum). This policy, he said, "while remaining faithful to the ideals of humanity for which our party stands, has never for one moment forgotten the grave responsibility for national defence and the safety of France". M. Kayser said in his turn: "I am sure that I am voicing the feelings of you all when I say that we wish to see the Government persistently pursuing a twofold aim—the defence of peace and the safeguarding of national security." Finally, the Spanish quarrel being then at its bitterest, the speaker declared himself a whole-hearted supporter of the policy of non-intervention. France must remain perfectly free to choose her own policy; and she must faithfully maintain "her rôle of balance and conciliation". M. Kayser was followed by the Minister for Foreign Affairs, M. Yvon Delbos. What, he asked, should be

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our attitude in face of the present crisis in international morality? "Preserve peace by avoiding rashness and weakness which are equally dangerous, and by striving to recover the ground which peace has lost and to reorganise the forces which can maintain it."

Then came 1938, the events of September, the meeting at Munich. The session of the congress devoted to foreign affairs was presided over by M. Chichery, Deputy for the Indre. The debate was not reported in full, and there are numerous blanks in the published account of it. Nevertheless, its general trend can be made out clearly enough. It began with a violent speech by M. Réthoré, Deputy for the Charente, accusing the parties of the Right, and M. Flandin personally, of being ready to capitulate in everything to Hitler. The Radicals pride themselves on being the heirs of the Jacobins of 1793, and they are very sensitive on the point of national honour. M. Réthoré has not proved quite an infallible clairvoyant, for he referred to Germany as ready to turn from the annihilation of France to the annihilation of Russia. He wished France to fight, trusting in the profound weakness of Germany. She was a colossus with feet of clay. She had been unable to get to Vienna, unopposed and on excellent roads, without losing 10 per cent. of her equipment; had not Marshal von Blomberg resigned because he was aware of this defect? . . . Illusions of that sort are rather touching. Moving, too, is M. Réthoré's confidence in France's friends. Altogether he is a fairly faithful impersonation of the average Frenchman with his quiet certainties and his gusts of indignation.

Once again the report was presented by the Minister for Foreign Affairs. But this time it was M. Georges Bonnet. He took a very high line on the question, quoted Descartes and the Encyclopedists (which is not always a good sign), and ended by stating the same principles as his predecessors: "Take every possible precaution for the safety of the country; refuse no opportunity, however slender it may seem,

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for the maintenance and consolidation of peace—that is, and that has always been, the policy of our party.”

In sum, the congresses of these three years show clearly both the stability and the change of opinion in a party which represents a large section of Frenchmen. Two principles are fixed and constant—the security of the country and the defence of peace. But these two principles are set, so to speak, in the two scales of a balance; and the preservation of peace, as time goes on, becomes lighter and more chimerical, while the defence of France in danger becomes heavier and more pressing.

To-day the President of the Radical party is M. Daladier, Deputy for Orange, and at once President of the Council, Minister for War and Minister for Foreign Affairs. His policy is so well known that I need not describe it here. It is enough to say that the whole of the Radical party is behind him to a man, and not only the party but the whole country. Internal dissensions exist no longer.

The only doubtful point has been the question of the Communists, who, as we know, receive their orders from a council sitting at Moscow and in close relations with the Russian Government. But the Russo-German Pact has profoundly shocked and disconcerted the French worker. Although certain sections, where discipline is strong, have remained faithful to the Communist party, the great majority, all those who truly represent the tradition of the French Revolution, have quitted it *en masse*.

III

THE moral unity of the country is in fact complete. Public sentiment is as unanimous and as firm-set as it was in 1914, though now it is quite different. In 1914 France responded to attack with a surge of heroism. The reverses of the first few weeks inflamed to fever point the love of country, the will to victory, the impetuous fighting spirit which changed the fortunes of the battle of the Marne.

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From that famous day onwards the French were never doubtful of their fate, and they endured four years of war, of massacre, of suffering of every kind, with the certainty of final victory. And that certainty, that deep-rooted, intimate certainty, was an act of faith.

To-day the situation is different. This time they are not martyrs throwing themselves into the arena, consecrated victims laying themselves on the altar of their country. Perhaps these feelings will come back one day, as fresh and strong as ever; but at the moment the French soldier is simply a man who has understood that this has got to be topped—*il faut en finir*.

True, he has had a century's education in the hatred of tyranny and the love of freedom. He wishes to be free in his home, and that the law assures him; free in his acts, and here his freedom is only limited, according to the Declaration of the Rights of Man, by the freedom of others; free in his thoughts, and that is perhaps his most inviolable sanctuary. He has an infinite contempt for all that is cowardly in servitude and stupid in tyranny. But he is as a rule very little concerned with foreign politics, and he does not greatly care what régime his neighbours adopt. He may be horrified by such and such a system, and see red when he believes a party is going to introduce it at home. But in reality the Frenchman has not gone to war for what is now called an ideology. He thinks that every man is free, free even to renounce his own freedom; and he also thinks, as Casimir-Périer said in 1832 in a famous phrase, that French blood belongs to France alone.

But it happens that the German Government has piled up a series of falsehoods by which nobody has been deceived. I emphasise this, for the Frenchman, whose attitude of mind is essentially critical, has a horror of impostures and a still greater horror of being hoodwinked by them. He has shrugged his shoulders at the lie of "race", knowing that Germany is a mosaic of peoples. He has shrugged his

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shoulders at "living-space", a theory which cannot be harmonised with the policy of domestic colonisation, so fashionable not long ago in Germany. Then he has seen the true purposes emerging from under the cloak of these absurdities. He has seen the subjection of the Czechs, the martyrdom of the Poles. He has realised what ambitions those theories concealed. He has remembered the anathemas against France in *Mein Kampf*. He has been profoundly stirred by a disinterested sense of indignation and a selfish longing for security. Those two emotions have developed in him side by side. An honest historian must mention both.

I am not concerned now with the opinions of a political party, but with the reactions of an average Frenchman, say, in a small way of business, who looks at things from the standpoint of his own trade and often takes little interest in politics—at least in foreign politics. Motoring through France on a fine summer day and seeing a man seated at his door smoking his pipe, one cannot think without a smile of politicians spouting their orations to such quiet, comfortable folk, kings of their own little realms. They did not feel themselves affected by events in the outer world until the first mobilisation last September. And then it was astonishing to see how easily and quickly all Frenchmen, just because needs must, consented to be torn from their homes. They were neither eager nor despondent. They had realised that danger was at hand and that, whether they liked it or not, *bon gré, mal gré*, it had to be warded off. They marched off bravely enough, and, once in barracks, coming as they do from an old race of soldiers, they quickly resumed that childlike *insouciance* which is part of a soldier's life.

A very clear picture of this state of mind may be found in Georges Duhamel's book, *Le Mémorial de la Guerre Blanche*, a collection of essays written by him for *Figaro* in the autumn of 1938. "The peaceful world", he says, "is henceforth certain of one thing—that it will remain at peace no longer, that an end has come to its enjoyment of life and of

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the fruits of its labour. The respites which formerly lasted six months or three months will no longer last more than a week, and between two crises nobody will have time to smile or to breathe freely."

Duhamel has exceptional qualities of mind and spirit, but he might sit, so to speak, for the ideal portrait of the average Frenchman. When a man of that type has seen Germany, without a shadow of excuse, pleading the most fantastic and contradictory reasons to justify her attempts to satisfy the appetite of the moment, his common sense and his critical spirit quickly disentangle from this tissue of impostures the pure and simple lust for conquest. At the same time he feels that his deepest convictions have been outraged, the tenour of his life disturbed, his very existence threatened.

The number of those Frenchmen who do not feel the strength of the ties that bind them to their country is, as Bossuet said, infinitely small. On the plateau of the Durance a writer named Jean Giono—a man of great talent, endowed with a sense of epic and pastoral genius—has collected a group of disciples who are conscientious objectors or, to put it more precisely, ardent votaries of life, whose creed is to refuse obedience to war. Duhamel has no difficulty in dealing with them. He describes the kind of military tyranny a conqueror would rivet on a people which would not defend itself. He shows how they would only escape from bearing arms to be more easily compelled to do it, and this time as slaves.

When the disciples of Jean-le-Bleu (Giono's pseudonym) have made submission to the German conqueror, these shepherds of the Contadour will be equipped without delay with bayonets and rifles. They will then be sent to a battlefield. Ever since the world began, the victors have always levied troops in the countries they have conquered; and as Frenchmen are still reputed to be passable soldiers, they would certainly, however shrill their outcry, be made use of.

With this view France unanimously agrees. The nation

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has formed a profound conviction that the menace is perpetual and that the situation is intolerable. Hence this peculiar example of a war being made without France having anything to ask from it. She is fighting only for her life. This opinion is firmly fixed to-day in the minds of the 39,000,000 of her inhabitants; and they will fight with grim energy. I sometimes hear men of the working class talking together. They say: "What more does he want (meaning Hitler)? He thinks we will give him everything. He imagines he has only to ask." Some irritation, too, is expressed at the man's arrogance. Not unnaturally, the threats in *Mein Kampf* have not been forgotten in France. There is a tendency, however, to misunderstand the depth to which the National-Socialist doctrine has penetrated into German life. I never hear threats against the German people, nor any evidence of national hatred. The word *Boche* is quite out of use. The universal feeling is that expressed by Mr. Chamberlain, that it is impossible to go on living with the German Government, the curse of Europe.

Such is the spirit in which mobilisation—gradual at first, then complete—has been greeted. Naturally the women wept. The men set off with a good courage, submitting to a catastrophe for which France knows she is not to blame. On the whole, the reaction to the grave anxieties of the moment has been one of relief, of the relief that is felt when a storm that has long been threatening breaks at last.

This feeling is widespread among the working classes, and it has had two important results. One is that the trade unions, scandalized at the pact between Hitler and Stalin, have broken with the Communists, who continue to take their orders from Moscow. Thus the *Syndicat des P.T.T.* and the *Fédération Postale* protested against the pact on August 28; the *Syndicat des Métaux* two days later. Finally the whole of the *Confédération de Travail* came into line.

There have been numerous resignations from the Communist party. A militant member from the Haute Vienne,

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Marcel Nardoux, has written: "That cowardly villain, Stalin, has concluded a pact of high treason with our bitterest enemy. We genuine Communists will do our duty." The Government has easily been able to dissolve the party and to arrest its leaders. The other result of the national accord has been the conclusion of an agreement between the trade unions and the employers' federations.

IV

HOW has France reacted to the mobilisation? I have been in touch with a village near Reims and with Reims itself. It was only natural that a town which was so severely bombarded from 1914 to 1918 should be dismayed at the thought of war. Gradually, however, people became accustomed to it and began to organise themselves. In the village I am speaking of, which numbers 350 inhabitants, 35 men or 10 per cent. of the population have gone—a modest proportion of the average number called up. There and at Reims, the women have at once taken the place of their absent husbands. They did so in 1914, but with a good deal of hesitation and misgiving. They were terrified of taking a decision. Experience and social progress have now made them braver. They know they can run a business as well as their husbands and sometimes better. They give orders without faltering or weakness.

The absence of the men who have been called up has been made good for the most part by those who have remained behind—men over military age, men who have got *le fascicule bleu*, i.e. orders to stay at home, women and children. The peasants in particular have turned to helping one another. This district has always had a remarkable knack of shifting for itself in times of difficulty. The problems of different individuals or groups lose half their weight by being treated as opportunities for mutual service. The country-people are short of labour, the townspeople are out of work. There is an organisation

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called the *Union des Paysans de France*, to which the unemployed are applying every day—shopgirls whose shop has shut, dressmakers whose business has closed down, mothers who wish to add wages to their allowances and also to remove their children from the air-raid sirens. The *Journal* quotes this letter from a farmer's wife: "I have four children. The eldest is six years old and the youngest five months. My husband has been called up and so has the farmhand. I am fond of my farm and my work, but I cannot carry on alone. I should like to take in some one who would lodge with us, look after the children, help me milk the cows, and learn the work here." She has taken two women from the town, a mother and daughter, who could not afford to wait for the end of the war without work of some kind.

Mobilisation took place when the great work in the fields had been mostly done. The second crop has been cut and stored, well or ill, as the case may be. The grape-harvest in October has always been the collective work of whole villages.

An important part in this work on the land has been played by the 100,000 French scouts: for, as everybody knows, that British institution, founded by Lord Baden Powell on pacific and international lines, has spread widely over France. The *Bureau Interfédéral de Scoutisme* appealed to all the scout federations on August 31. These boys, 14 to 19 years old, work in patrols of six each. They do not accept any pay. The farmer has only to provide board and lodging. The interfederal office circular says: "It is understood that the boys will sleep on straw; that the minimum diet shall consist of a substantial breakfast, a snack at 10 o'clock, a dinner with meat in the middle of the day, tea, and supper." Alcohol should not be given to the scouts; it is preferred that they should drink neither cider nor wine; in any case their leaders see to it that they only have a very moderate quantity. Even when they are scattered on different

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farms, the boys have to reassemble at night and sleep in a dormitory under the supervision of a patrol leader.

The Ministry of Agriculture thought of them and wrote to the interfederal office. At once the boys went out. The scouts finished the harvesting, dug up potatoes, helped to pick the grapes. One *préfet* asked for 500. They were also employed in the work of evacuation and reception at the railway stations of Paris, the suburbs, and the provinces. "Calls are made on us", said the National Commissioner of French Scouts, "for a host of other things, for maintaining contact between town halls and the various public services (one scout in three owns a bicycle). . . . For twenty-four hours, thirty of our strongest boys have been digging a trench behind the Vaugirard hospital. . . . The motto of the scouts is 'For all and against none'."

In certain districts a plan for the allotment of manual labour has been drawn up by the military authorities, and the workers have been distributed by the commissariat department.

V

THE real difficulties have not been due to a lack of labour, but to the evacuation of the inhabitants of dangerous zones into the interior. This evacuation—which has perhaps been carried out on too big a scale since some of those who went are now returning—has raised a multitude of problems. To abandon one's home and belongings is naturally very distressing; but at least everything the *évacués* have left behind has been scrupulously respected. War-correspondents in the zone of military operations have seen towns like Strasbourg completely empty; but inside the houses nothing had been touched, and the inhabitants could have returned there to-morrow. Pillaging is a capital offence.

Curious tales are told of people living on the frontier who have preferred to remain where they were. A lady, very

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well known in Paris, one day received a visit (although she herself belonged to a party of the Left) from a nun, begging her to do something for her sister, who had stayed in a most vulnerable area. Now Mme S. happened to be going to that very district on hospital business. So she obtained in Paris an order for the evacuation of the nun's sister and determined to execute it herself. She expected to find the unfortunate woman destitute and panic-struck. Far from it. She was quite happy and comfortable. The baker of an empty village within sound of the gunfire, she pressed coffee and cake on her visitor: and she firmly declined to leave. Not only did she make bread, but she had a bathroom, probably the only one in the neighbourhood, which the officers much enjoyed the use of, and she thought it would be wrong to deprive them of it. And besides, she had two servants whom she could not desert. So she remained. . . . If things get too hot there, no doubt she will get a lift into Nancy.

The Cardinal Archbishop of Paris, in a broadcast message, pledged the Catholics of France to receive the *évacués* in a Christian spirit. In fact, the chief difficulties seem to have been those of language. I have heard of cases where people speaking only the Eastern dialect have been transported to districts where only the dialect of the South is spoken. Sometimes, too, the number of the *évacués* has been miscalculated. But, taking it altogether, their reception has been cordial. They receive an allowance, but naturally they have to find employment as well. The *préfets* provide it for them, and at the same time new works are set on foot. At La Rochelle, which has taken in 15,000 *évacués*, a sensible woman has arranged with the director of a large store with numerous local branches in the neighbourhood to find work for several hundred of them.

Thus the whole life of France to-day is made up of a vast number of local problems. Take for example the fishermen in the little ports of Brittany. Here mobilisation has had

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more severe effects than elsewhere, for while women can guide the plough, setting sails in a high wind is a man's job. But the greatest difficulty is the lack of buyers. The great fishing ports, Dieppe, Fécamp and Boulogne, continue to provide for the district. But the small ports have scarcely any business left. Nobody buys and prices peter out. One of these fishmongers told M. Louis Hamre that he had sold seventy-five kilos of crayfish at 15 fr. 50 per kilo, rather than get nothing. "Instead of sending to Paris a two-kilogram box every other day", he added, "we should do just as well to rent a garden and grow vegetables."

Not far away, on the moors of La Vendée, the difficulty is the same. The local industry is chicken-farming. But the chickens and ducks do not now find buyers, and prices have fallen very low. Many other examples could be cited. It is in order to avoid such local disorganisation that the Government has expressed a wish that as far as possible the life of the country should go on as usual.

VI

PARIS has acquired a most curious aspect. At night the great city is plunged into utter darkness, only broken by the little red and blue lamps on vehicles. Street lighting has been reduced to the barest minimum and consists only of a few faint cones of light, hooded and pointing downwards to the pavement. Even this amount of illumination is provided at irregular intervals. Between the bands of light there are gulfs of darkness through which one has to steer one's way as best one can. Night-life, of course, is much restricted. Even outside a crowded restaurant not a glimmer of light can be seen; but push the dark door open and it is bright enough inside.

By day there is great activity. The traffic is very heavy and has to be controlled as in peace time. For the first few days drivers were threatened with a positively Draconian code of regulations, but its issue was delayed, and, when it

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did appear, it had been considerably softened. Paris is gradually recovering her normal complexion. The rubbish bins, which used to be left all night on the pavements so that pedestrians stumbled on them in the dark, may now be put out only a short time before the arrival of the collecting-vans. Most of the shops are busy, and every day some of those which were shut up are opening again. The chief change in their peace-time appearance is that strips of paper have been gummed over the windows, crosswise or star-wise, to prevent their breaking. White patches have appeared at the foot of walls where basement ventilators have been plastered up. The most precious statues have been surrounded with piles of sandbags, pierced with air-holes. At the entrance to the Champs Elysées the Chevaux de Marly have been enclosed in little wooden houses, perched in the air like railway signal-boxes. In the Place de la Concorde the obelisk juts out like a lightning conductor from a pyramid of sandbags. The restaurants have benefited from the disorganisation of home life. Some of them have suddenly become quite the fashion. The same people are always to be found in them—the inner core of Parisian Society.

Many of those who have taken refuge in the country have been so painfully bored that they have come back home to Paris, heedless of the warning that the danger is not over. Perhaps after the first air-raid they will depart again, like a flock of sparrows. These movements backwards and forwards naturally raise problems of food supply, a matter which the Government partly handed over to the provinces at the outbreak of war. It is hard work to feed a moving population.

Two contradictory ideas, in fact, are working in men's minds. One is the tendency of easy-going people to forge the dangers of war. At first every Parisian meekly carried his gas-mask in its khaki or blue cylinder. To-day no one carries them, except soldiers who are compelled to, and

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theirs is more an example of good discipline than of prudence. The other, the opposite idea, is the fear of being bombed; but this is confined to a few people. The average Parisian is not afraid of shells. When an air-raid warning is given it is very difficult to prevent him from going out of doors to look at the sky. On the other hand, he has a sort of superstitious fear of gas, of which such frightful tales are told. But what he dreads most is the shelters.

A curious figure in Paris nowadays is the air-raid warden, who walks about wearing a yellow armlet. He is often a *concierge* or an hotel-keeper. He has to see that the lighting and the sirens are in order. He is sovereign lord of the cellar which does duty for a shelter. If you are on good terms with him, he reserves a chair for you there. Another new figure is the young woman engaged in "passive defence". She wears two pairs of trousers, one on top of the other, a sort of diving-suit, gloves and a mask: in this costume she has to make chemical analyses. It is said that there is a brisk business in decorating cellars and that special "shelter suits" are on sale. This is not meant to be a humorous article; but this is Paris, and such comments are revealing.

The Government for its part is confronted with a double problem. It wishes to make the people safe, and Paris clearly might become a dangerous place. On the other hand, it feels that in order to carry on a long war it is essential that the life of France should as far as possible be normal. The present organisation is a compromise between these two points of view. The schools reopened on October 16 and the Faculties will start work again on November 6. One of the last acts of M. Jean Zay, Minister for National Education, before he was called up (he is now on the Lorraine front) was to obtain a promise from editors that they would not suspend their activities. The dressmaking industry has been one of the first to resume production in its workshops, which give employment to so many of the poorer folk of Paris. I

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am told that the leading firms have resumed business. I am also told—but I am not an authority on this subject—that we must not expect any very new models. I remember that in 1914, on the other hand, there was quite a crop of dresses inspired by the war—short skirts, ammunition pouches, coats copied from those of the Prussian Guard, picked up on the battlefield of the Marne.

VII

THE restrictions which hampered life at the outset of the last war have not reappeared. This time there has been no moratorium, and the banks have continued to pay out. A sketch of financial life in September 1939 will give a final touch to this picture of the period. What strikes one immediately is the calmness, the *sang froid*, which the public has displayed. The Bourse has not shut down for a single day. The fall in stocks has not exceeded that normally occasioned by an important event. Not only has there been no panic, but at the time of writing there has been a very marked improvement in Rentes and in all French securities.

When mobilisation came, the public naturally drew on the banks and savings-banks; for every one wished, and needed, to keep ready money to hand. No obstacles were put in the way of withdrawals. The banks stayed open on Saturday afternoon, and the savings-banks even on Sunday. The public was reassured and brought its money back again.

The Frenchman has remained confident in his currency; he knows that two-thirds of the circulation is covered by the Bank and that France's gold reserve is one of the largest in the world. The repatriation of exported capital, which has been going on since the fall of the Front Populaire, has not been stopped by the War, and it continues to be shown in the returns of gold.

The Government has set up an Exchange Office, a natural step, but not an immediately necessary one, since few Frenchmen are thinking at this moment of exporting

capital. Similarly, it has decided to limit imports and favour exports. Finally, it has undertaken the supervision of prices, so as to put a stop at once to war-profiteering. As the franc is stable, strict measures have been taken to prevent a rise in prices.

Such, in outline, is the picture of France at war. As I was finishing this article, I was shown a letter from a soldier, and I will conclude with it. "If the Germans could understand what a spirit of cold resignation and implacable resolution lies deep in the soul of each one of us, they would be terrified. The sacrifice has been made, we have thrown our lives, our hopes, our possessions into the crucible. The will to have done with German domination is in all our hearts."

Paris,

November 1939.

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I

WHEN the war broke out, the average comment of the average American was: "How soon will we get in?" The estimates of shrewd students of affairs ranged from ninety days to a year. It was considered, first, that the war would be a desperate, all-in affair, that the Allies might suffer grave reverses for quite a long time, and that ultimately the Russo-German colossus's threat to the United States would force American participation.

The actual conduct of the war, coupled with the congressional struggle over American "neutrality", has decisively altered all such viewpoints. Today the prevailing national sentiment is that the nation not only should but *can* remain out. Public unanimity in this conviction is impressive. The writer has just returned from a 9,000-mile trip to the Pacific coast and the north-west, endeavoring to assess the state of affairs, and in every corner of the country it has been the same story: "We want the Allies to win; we despise Hitlerism and Stalinism; but the United States must stay out."

Repeal of the arms embargo and passage of the new Neutrality Bill illustrated with new emphasis the two familiar strains in American opinion: First, the sympathy with the Allies; second, the determination to stay out of war. Whether or how these two sentiments can persist side by side, whether or how the sympathy with the Allies will overcome the urge to stay out, is perhaps the basic question of national policy. Can we remain permanently un-neutral in sentiment and non-participant in the war? The answer, surely, depends upon the kind of war it is. Today Americans regard it as

20 per cent. fighting and 80 per cent. diplomacy. With Senator Borah, they are prone to call it a "phony" war, or with Representative Bruce Barton in the congressional debate, they say it is "the most stupid, the most crazy, the most cockeyed war in history". There is still a widespread feeling that one more amazing diplomatic surprise may come at any time and end the war. Under the circumstances, Americans are naturally not burning any bridges at all.

Slowly, very slowly, Americans are coming to realize the strategic nature of the war, and the reasons why the nations have refrained from major offensives against one another. But this very realization of the stalemate-war makes further American involvement unlikely. It is quite clear that only two things could bring about American participation: either a direct attack by one of the belligerents upon vital, immediate interests of the United States, or the virtual and gallant collapse of the Allies. In either case, American opinion would, of course, re-survey the situation.

The Administration's policy is set upon the following definite objectives: defense of the nation's interests and maintenance of its neutrality; unadmitted but very real assistance to the Allied cause; preparation for the ultimate peace-making

President Roosevelt, brought up in the Wilson school and case-hardened by twenty years of post-Versailles experience, would naturally like to round out his historic career by making a realistic contribution to peace-making. Of course, he would not participate in the Hitler peace offensive. But he may be expected to be eagerly alert for any future opportunity of assisting a balanced and sound peace. Whether or not he will be empowered to make a substantial American contribution to that peace depends upon the future evolution of this nation's public opinion. At present, there is no great disposition either to lower tariffs materially as a contribution to economic peace, or to accept political responsibilities in Europe. Nor has America begun to think in terms

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remotely resembling "Union Now" or any other basic readjustment of national sovereignty. The nation is in the very throes of disillusionment about the ability of Europe to make peace, for the present situation is blamed to Versailles, and most people fear just as bad a settlement next time, if not a worse one. Therefore public opinion has a very long way to go if President Roosevelt is to make a genuine contribution which goes beyond the most trivial diplomatic errand-running.

There is, however, wide support for building up inter-American solidarity. Therefore, despite the many obstacles, some kind of regional organization might emerge in this hemisphere which could fit in with the ultimate settlement in Europe, and in the end produce a more practical form of collective action than was possible on the basis of American absence from Geneva. The road of regional organization is the only one that is now open in the eyes of the American people. There is, of course, complete sympathy for a negotiated rather than an enforced peace in Europe, and American influence on the side of this kind of adjustment might be useful in keeping a balance in post-war Europe. It would certainly be available for that purpose.

Repeal of the arms embargo was the result of two main factors. It was a combination of intelligent reasoning and practical politics. On the one hand were all the rational arguments for repeal: that it would tend to prevent American involvement by strengthening the Allies and thus shortening the war; that it was really more "neutral" to remove a legislative interference with the circumstances under which the war would otherwise have been fought; that, in any case, the nation did not wish to give help to the Hitler-Stalin cause. But these arguments probably never would have prevailed without a comprehensive and astute job of political management.

Before the Congress met in September, the President had Senator James F. Byrnes—a skilled and highly popular

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negotiator—poll his colleagues at their homes in all parts of the country, by lavish use of the long-distance telephone. Striking early, Senator Byrnes obtained ample commitments to repeal of the embargo before ever the Senators returned to Washington for the special session. Similarly, practical methods were employed in the House, where the "solid south" of Democratic representatives and the machine-controlled city blocs of representatives were all whipped into the party camp.

These realistic methods were necessary in order to combat the furious war of propaganda which was waged against repeal by a curious alliance of politically minded Republican oppositionists, sincere isolationists, the fanatical quasi-fascists who have been organized by Father Coughlin the radio orator, the few who are still responsive to the Communist party line, and all the humble folk in general who can be influenced by the demagogic radio spell-binders. These diverse influences produced a rain of postcards, telegrams, letters and personal appeals to members of Congress which can scarcely be imagined in any other country in the world. Nine out of ten—and perhaps nineteen out of twenty—of these appeals were against lifting the embargo. Thousands of appeals would come to a single congressman from his constituents within a few days. It was apparent that the appeal was organized and to some extent artificial, and it was keyed in a fearfully hysterical mood, but nevertheless it did represent people—and votes.

It is one of the great triumphs of American politics, where pressure groups have latterly been growing stronger and stronger, that an overwhelming majority in the Senate and a substantial majority in the House refused to bow to this bombardment and repealed the embargo. It was a triumph of sanity and legitimate political organization over the frenzy of mass propaganda.

Nevertheless, the campaign drove home one point: that the United States is resolutely determined to stay out of war

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until and unless circumstances change gravely, and in that sense the isolationists won their battle after all. It will require cataclysmic events to produce the unanimity of opinion which would be required to precede active American participation in the war.

II

MEANTIME, the Administration is going ahead with a wide range of steps to protect the national economy and insulate the republic against the shocks of war. We are in the midst of managed neutrality, superimposed upon emotional un-neutrality. The issues are pragmatic, and President Roosevelt candidly recognized the circumstances a few days after the outbreak of war when he said to the people in a Fireside Chat:

This nation will remain neutral, but I cannot ask that every American remain neutral in thought as well. Even a neutral has a right to take account of the facts. Even a neutral cannot be asked to close his mind to conscience.

With similar pragmatism, and without the evangelical spirit of Wilson, Mr. Roosevelt also said:

We have certain ideas and ideals of national safety, and we must act to preserve that safety today and preserve the safety of our children in future years. That safety is, and will be, bound up with the safety of the Western Hemisphere and of the seas adjacent thereto. We seek to keep war from our firesides by keeping war from coming to the Americas.

But he added:

The overwhelming masses of our people seek peace—peace at home, and the kind of peace in other lands which will not jeopardize peace at home.

The Administration set about implementing its neutrality without delay. Not only did the President issue the customary and the new neutrality proclamations. He at once materially increased the size of the Army, the Navy, the National Guard, and the Marine Corps. The larger forces

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would not only protect neutrality, but they would provide a broader base of quick military mass training in the case of emergency. The President also recommissioned scores of old naval destroyers and set them to work patrolling the coastline and far out to sea, in the effort to “keep the war from coming to the Americas”.

The neutrality patrol is a good illustration of the pragmatic paradox of American policy. The objective of keeping the war away is no doubt an admirable neutral ideal. But in application it means that there are certain seas in which Germany is warned against conducting operations against Allied or neutral commerce. Quite naturally the Allies are not going to conduct military operations in American waters unless it is necessary to meet German threats there. And so the “safety zone” set up by the Declaration of Panama, while perhaps outraging the international law conventions of a sea Power like Britain, is actually a great potential practical advantage. For instance, there are several score German merchant ships tied up in Latin-American harbors. Under President Roosevelt’s interpretation of the safety zone, these ships cannot leave port even to ply between American harbors. Meantime, the right of Britain or France to have access to their possessions in the Americas is untouched, and their naval bases may be used as freely as ever. The situation may be entirely illogical and contradictory, but the fact remains that, unless stupidly mismanaged, the Allies can turn it greatly to their advantage. The entire onus for starting belligerent operations within the safety zone can be placed on the only Power inclined to “start something”—Germany.

Other steps in our managed neutrality show similar leanings of practical self-interest in the direction of the Allies. Repeal of the arms embargo was the greatest of these steps. But all the others pointed in the same direction. Here, briefly summarized, are the principal developments:

National Defense. The increases in our armed forces,

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superimposed upon our obvious sympathies, mean that today's prepared United States is an immeasurably greater factor in Berlin's calculations than the stubbornly unprepared United States of 1914. For two years Woodrow Wilson resisted all efforts at increasing American national defense. Thus he encouraged both belligerents to disregard our neutral interests. Franklin D. Roosevelt knows this well; he was the Assistant Secretary of the Navy charged with the task of trying to sell naval building to the President, and he failed. The importance of the American rearmament program is perhaps most valuable in the Far East, where the bulk of the fleet remains, constantly pushing outposts beyond the Hawaii line. In the first week of war, for example, an American aircraft carrier started for the first time for the Philippines, to be followed shortly by several flights of heavy bombers from Hawaii out along the stepping-stones to the Orient.

Diplomacy. Recent American strong-talking to Japan, the protests to Russia over Finland, the formation of an incipient neutral bloc at the Panama Conference, were all stages likely to aid the Allies indirectly, while they served American interests. The purpose of the inter-American bloc was really to prevent Fascist penetrations in this hemisphere. Our Far Eastern policy may serve to prevent a Russo-Japanese deal which would be catastrophic to British interests in the Orient, but it may also be an obstacle to a British-Japanese deal. It is likely to be a contest between American sympathy for China and interest in maintaining its nationhood as against our desire to help Britain close its back door in Asia. Whether the United States could stomach the probable kind of deal with Japan is open to question, even for the sake of Britain in Europe. Russian diplomacy therefore has another excellent opportunity to score a coup. If it does, perhaps the United States will accept Far Eastern responsibilities a bit more fully, and thereby ease pressure on Britain. But the oriental situa-

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tion is in such flux that only speculative conclusions are possible.

Internal Organization. Our preparedness to stand the shocks of neutrality is perhaps the outstanding difference from 1914. Financially, economically, governmentally, and psychologically we have come a long way. In 1914 the New York Stock Exchange closed after fearful panic on July 31 and stayed closed until December 12. In 1939, it felt scarcely a shock. Foreign exchanges were protected by the tripartite monetary agreement. There was no dumping of American securities, and no money stringency. The machinery set up to "cushion the shock of war" was so good that it did not really have to function. For over a year before the outbreak of war, interdepartmental committees had been preparing for the event in the field of financial policy. The Federal Reserve System, the Securities and Exchange Commission, and the Treasury itself were ready to control war boom or war panic, curb credit inflations or deflations, and apply all sorts of levers all the way from closing the exchange to altering the value of the dollar. None of these things was necessary. The country is being given, instead, a dose of diluted war boom with all the statisticians and brain-trusters watching hawklike to determine the patient's reaction. Other special commissions, administrations, and controls—the result of the New Deal's unprecedented adjustments in the national economy—were similarly surveying war resources, natural resources, agricultural supplies and prices, and so on.

Public Opinion. There was an equally great contrast with 1914 in the state of national information. The American people, and the American Government, were and are supplied with a ceaseless flow of expert observation and interpretation of European affairs. Our Ambassadors in London and Paris are exceptionally alert diplomatists; our foreign correspondents, in press and radio alike, are experienced, shrewd, and zealous. Their errors of commission generally

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cancel out one another. The national consciousness expected war long before it came, and it was case-hardened to shock. Hence the sinking of the *Athenia*, the capture of the *City of Flint*, the Molotoff criticisms of President Roosevelt, the hostile airs of the Rome and Berlin and Moscow press—in short, nothing from atrocities to abuse produced very much effect on public opinion in an inflammatory sense. Americans took without blinking shocks and buffets which anybody would have said in advance would have swept them into national indignation. In short, the national opinion was worldly wise, pragmatic, skeptical. It was not at all a question of lacking sympathies, which were plainly on the Allied side, but a firm determination to make up our minds in a moral climate conducive to national self-interests alone. Moral certainties were on the wane, and disillusionment has erected a lofty “eastwall”.

III

POWERFUL in affecting the national thinking is the economic weather. We are enjoying a steady upward movement of nearly all the business indices. The cause is only partly the war; principally it is the culmination of gathering forces which the war helped greatly to release. The trigger which sent things shooting upward was an elementary one: fear of rising prices. For months and years American business has been ultra-cautious, partly out of apprehension at Washington policy, partly because the basic economic outlook was far from encouraging to venturers. The outbreak of war took everyone's mind off domestic policies, and naturally stimulated buying all-round. Business inventories had been very low, and mere stocking-up accounts for a good deal of the expansion. Moreover, a sound and inevitable housing expansion has been under way for months. While there was little immediate war-buying from abroad, there were substantial

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effects, such as the freeing of the domestic lumber and pulp industries from Canadian and Scandinavian competition. Our economy emerged in September from a hand-to-mouth period, and now the only question is how long it will last. Some economists anticipate a slump early next year, and already New Dealers are preparing a government spending program to take up the slack in an election year. But others are quite sure that no severe decline will come, and that a rather substantial, steady upturn will continue until European events again intervene.

There is one striking sentiment among business men: a widespread reluctance to get swept into a war boom, or expansion of plant capacity. In the writer's recent trans-continental investigations, he heard this remark from industrialists everywhere: “I am refusing all orders which would force large plant expansion; I'm not going to get caught in a post-war deflation.” Such sentiments are part of today's realistic emotional climate. The present dominant generation remembers clearly many of the lessons of the last war, and is determined to act upon them.

IV

FUTURE American policy depends in its articulation upon the next occupant of the White House, and hence the third term issue is of immediate importance. President Roosevelt is today following the policy of the Great Neutral who leans weightily toward the forces of order in the world, and seeks to create his rôle in history in the peace-making. But if the war continues for another year, Mr. Roosevelt will have to obtain a third term in order to secure any such rôle. Nearly every politically possible nominee for the Presidency other than Mr. Roosevelt is vastly inexperienced in foreign affairs. If the war or a severe post-war crisis continues, it will be no time for a presidential candidate of the years and relatively insecure health of Cordell Hull. He

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could stand the strain of the White House, it is charitable to assume, only in a time of tranquillity, and probably he would be the first to admit the fact. Vice President Garner, also a potential candidate, is a couple of years senior to Mr. Hull, and he, too, is far from desirous of being a crisis President. No, 1940's election will undoubtedly call for a vigorous and experienced candidate, and that is where all the advantages go to Mr. Roosevelt.

During the congressional struggle over the neutrality law, the conservative Democrats who had latterly forsaken the President came back into camp. This party unity offers some hope that Mr. Roosevelt might be able to secure the third term nomination from his fellow Democrats, but it is no assurance thereof. However, continuation of crisis conditions would of course assist the President greatly, particularly if in the intervening months he had administered a popular and cautious course of neutrality. Therefore the chances are that, after a political struggle, Mr. Roosevelt really could win his party's nomination once more—the first full-fledged third term nominee in American history.

On the Republican side, there are no men of great experience who are politically available. Herbert Hoover, who has been determinedly seeking to recover prestige and re-establish his party position, still has a long way to go. It is unlikely that he could secure the Republican nomination. Rather, the leading candidates are still Senators Vandenberg and Taft, with the probabilities leaning toward the former. Yet, Senator Vandenberg was one of the isolationist leaders in the fight against repeal of the arms embargo, and the congressional verdict went heavily against his side. Still, he can always say that his error—if any—was to lean toward the side of keeping the nation out of war by any means. Senator Taft crossed the lines and supported the President's neutrality policy. Perhaps he enhanced his chances for the presidential nomination thereby, but not if the party follows the old rule that "the way to oppose is to oppose".

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Whoever the Republican nominee is, with the most unlikely exception of Mr. Hoover, he is probably going to be a relatively untried and inexperienced man. There Mr. Roosevelt will have his great advantage, and his electoral appeal will base on the slogan: "Don't swap horses while crossing a stream." His record of one year's neutrality cautiously administered—if that becomes the fact—his eight years of White House experience, and his eight years from 1912 to 1920 as Assistant Secretary of the Navy will all tell in his favor as a crisis President. Such appeals must balance themselves against the great popular resistance to a third term. American opinion is profoundly distrustful of continued personal power in the hands of one man. Yet the needs of the crisis may overrule such emotions. If they do, continuity of foreign policy may be assured. If they do not, it would be unwise to assume that abrupt changes are inevitable, but they are always possible. In any case, as has been recorded earlier, American opinion is in disillusioned mood. It can only be changed, it would appear, by events in Europe. The conduct of the war to date has only deepened—and that gravely—this disillusionment. Perhaps, as the motives of British strategy are perceived, the situation will alter. But in any case, American convictions are united on a platform of self-protection, and there is no widespread admission that the welfare of the Western Hemisphere is dependent upon the orderly settlement of Europe. Rather, the average man says simply that he is determined to preserve the blessings of the New World. Perhaps, as time goes on, he will revert to an awareness of the indivisibility of the world problem. But that day is not yet, and it cannot come until new winds sweep across Europe. Perhaps, again, the winds are already sweeping and have not yet crossed the Atlantic. We wait, anyway, and not a few are sniffing for the breeze.

United States of America,
November 1939.

NEUTRAL IRELAND

I. ON THE EVE

IN order to understand the Irish attitude towards the war it is necessary to recall the situation which existed on the eve of its commencement. For eight months previously a series of explosive outrages,* preceded by an ultimatum to the British Government, had been perpetrated throughout England by the Irish terrorist organisation known as the "I.R.A." As a result much property had been destroyed and several people seriously injured, some fatally. These outrages culminated on August 23 with a bomb explosion in a Coventry street entailing the loss of five lives. To meet this threat to public order and security the British Government enacted legislation which enabled them to expel from the country persons suspected of I.R.A. activities. All through August numerous expulsion orders were made and carried out under these powers. Mr. Sean Russell, the reputed leader of the I.R.A., who was in America ostensibly collecting funds for this campaign of outrage, stated, in an interview at Chicago on August 13, that the number engaged in the English bombing campaign was between five hundred and a thousand members of his organisation, and expressed the belief that no concession could be obtained from England except by the use of arms. At the same time he added that the last thing they wanted to do was to take life. The concession which the bombs were directed to secure was apparently the evacuation of British troops from Northern Ireland, although nothing could be less likely to secure that result.

* See THE ROUND TABLE, No. 114, March 1939, p. 368; No. 115, June 1939, pp. 591 and 619; and No. 116, September 1939, pp. 802 and 821.

ON THE EVE

The Irish Government, no doubt alarmed by these direct challenges to its authority and aware that this criminal conspiracy was being directed from Ireland, issued proclamations on August 23 putting into force those portions of the recently enacted Offences Against the State Act* which enabled them to set up a special court for the trial of political prisoners and also to search and intern suspected persons without trial. When the constitution of this court was announced on August 25 it was found to consist of the same military officers who had discharged a like duty under the Cosgrave Government in 1931. It is interesting to recall that one of the principal reasons why Mr. De Valera's party were returned to power in 1932 was because they criticised severely the constitution of this very military tribunal and that when elected to office they immediately released the persons whom the tribunal had sentenced to imprisonment for political offences. During its term of office for the last seven years Mr. De Valera's Government have alternately cajoled, rewarded and threatened these terrorist elements but they have never resolutely faced the issue of dealing with them in a decisive manner. They were of course seriously hampered by their own past promises and policy. Elected on a programme which sought to revive anti-English sentiment and led to a prolonged dispute with Great Britain over the retention of the land annuities and other moneys, they encouraged their more extreme followers to believe that they intended to proclaim an Irish Republic. They also developed and enlarged the centrifugal policy of their predecessors in relation to the British Commonwealth until, finally, our connection with that body was reduced to the external association arising from the recognition of the King as the channel for communication with other countries. The settlement of the dispute with Great Britain in April 1938 was unfortunately

* See THE ROUND TABLE, No. 115, June 1939, p. 593, and No. 116, September 1939, p. 805.

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not complete, as the British Government retained its control over Northern Ireland and made no serious attempt either to settle or to promote a settlement of this thorny problem. The failure to achieve a complete settlement between the two Governments afforded Mr. De Valera grounds for reiterated complaints and an excuse for refusing to support British foreign policy. There is no doubt that this situation not only encouraged the extremist leaders to take action in England but also made it impossible for the Irish Government to enter the war on the side of Great Britain. In any event so many of Mr. De Valera's followers suffer from Anglophobia and have a covert belief in the terrorist policy of the I.R.A. that it would have been impossible for him to retain their support had he done so, and a serious split in his party might well have been the prelude to civil war.

In spite, however, of these internal difficulties and the threatening European situation that part of Ireland which is more interested in the horse than international affairs celebrated the Horse Show, at the commencement of August, around the show rings at Ballsbridge. Some of those present could not, however, refrain from speculating how soon the gallant young officers from France, Germany and Great Britain, then meeting in friendly rivalry in the arena, would be engaged in mortal combat.

Yet it was not until August 25 that any official voice in Ireland indicated alarm. On that day Mr. Lemass, then Minister for Industry and Commerce, speaking at the opening of a steel mill at Cove, said that the immediate stoppage of their industrial expansion might prove to be the least serious consequence of the outbreak of a European war. The probable results for the people of Ireland appalled, he said, all who had given thought to it. They were so serious that he expressed surprise that the public mind had not yet sufficiently concerned itself about them. War, he added, would mean a period of great hardship, even if they never heard a shot fired. The virtue of discipline alone

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could help them, and he appealed to those in a position to influence public action in all walks of life to prepare the public mind for the situation that might arise. This speech indicated clearly how little the Government themselves had expected war or prepared the people's minds for such a possibility.

II. NEUTRALITY

ON September 2, the day before Great Britain declared war, the Dail and Senate were hurriedly summoned to pass two emergency measures. The first amended the Constitution by enabling both Houses of Parliament by joint resolution to declare that a state of emergency existed even though Ireland was not actually at war. Both Houses on passing the Bill adopted resolutions to that effect. The second measure was an Emergency Powers Act giving the Government power by order to make such provisions as in their opinion were necessary or expedient for securing the public safety, the preservation of the state, the maintenance of public order, and the provision and control of supplies and services essential to the life of the community. When introducing these two Bills in the Dail Mr. De Valera said that he did not think their policy of neutrality would come as a surprise to anybody, since he had stated last February that in the event of a European war it was the aim of his Government to keep this country out of it. It was, he said, a policy which could only be pursued if they had a determined people who did not wish to injure anybody or to throw their weight on one side or the other. They, of all nations, had known what force used by a strong nation against a weaker one meant. They had known what invasion, what partition meant. They were not forgetful of their own history. As long as any part of their country was subject to the use of force by a strong nation, then their people, no matter what sympathies they had, should look

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to their own country first and consider its interests. He assured the Dail that, in the exercise of the special powers granted to them, the Government would have regard to constitutional right and practice and summon the Dail to meet as frequently as possible. Speaking the same day in the Senate, Mr. De Valera intimated that the German Minister in Dublin had called on him on August 31 to inform him of Germany's peaceful attitude towards Ireland and had stated that if Germany were engaged in a European war the German Government would respect Ireland's neutrality, provided that it was adhered to. Mr. De Valera stated he had replied that the Irish Government wished to remain at peace with Germany as with all other Powers. Whether similar communications concerning our neutrality were made to the British Government was not disclosed.

The policy of neutrality was not challenged by any one during the Dail debate, but Mr. James Dillon, T.D., the deputy leader of the Fine Gael party, who was the first Opposition speaker, said our neutrality should not be taken as meaning that we were indifferent to the issue of the conflict. He said that he believed the vast majority of the Irish people placed their sympathy on the side of Poland, France and Great Britain against Berlin and Moscow, and he thought it right that it should be placed on record. During the Senate debate some speakers expressed regret that the Irish people had not a different conception of where their interests lay, but agreed that the state of public opinion made any other policy impossible. Even the *Irish Times*, which is definitely pro-British in sentiment and the organ of big business and the Protestant minority, admitted that in all the circumstances it was the only policy the Government could pursue. But there are, of course, many people in Ireland who, however much they may wish loyally to accept the Government's decision, cannot be neutral in thought. The great majority of these feel that our interests economic, political and spiritual are so indissolubly bound up with

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those of Great Britain and France that, if those Powers were to go down before the onslaught of Hitlerism, the future of Ireland and indeed of European civilisation itself would be dark indeed. Others, whilst hating Hitlerism and all its works and pomps, cannot forget the cynical dismemberment of Czechoslovakia in which Poland joined, and feel that the present war is only one more move in the game of power politics from which Ireland has everything to lose and nothing to gain. They cannot see why we should participate in this war any more than Belgium, Holland, Switzerland or the Scandinavian countries, all of whom represent the best kind of democratic community. Another point of view is held by people like Professor James Hogan, who holds the chair of History at University College, Cork, and is an authority on the Soviet régime. In a letter to the press, immediately after the commencement of the war, he said that the triumph of Germany and Russia would mean the end of Christian Europe and the inauguration of a world in which there would be no room for those values which redeem the life of man from the life of the beast. At the same time he can only, somewhat illogically, advise that whilst in no way countenancing Germany's conduct we should wait and see.

Another point of view was voiced by Cardinal MacRory, the Catholic Primate of Ireland, in a speech at Derry on October 1. He said that it was the duty of all sincere Christians to pray fervently that the conflict might be speedily ended and be followed by a just peace. There seemed, he said, to be more hope of a just peace now than if the war were fought to a finish; for then, whichever side won, it would probably be a victors' peace sowing the seeds of future wars. Moreover, no Christian could contemplate calmly the prospect of Christians slaughtering one another for three or four years and thus smoothing the way for the spread of Russian Communism. He hoped and prayed no section of Irishmen would do anything in the critical times

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before us to endanger the peace of this country and involve us perhaps in fratricidal strife.

There remains, of course, the irreconcilable minority whose hatred of England blinds them to all other considerations and who would, if they could, assist Germany. For the moment these people can only feed their animosity on German broadcasts. Mr. De Valera, speaking in the Dail on September 29, described the situation fairly accurately when he said that you could divide the people here into two large classes, namely, the great bulk of the population, who, whatever may be their individual views as to its merits, desire that this country should not be involved in the war, and those who feel so strongly about the issues at stake that they wish to involve us on one side or the other. If propaganda were allowed here, Mr. De Valera quite accurately foresees that each element in this latter section would seek to drag us into the conflict. For this reason the Government has enforced a press censorship which under present conditions is certainly essential. So far it has not been abused. Those who may be inclined to jibe at our neutrality would do well to remember the thousands of Irishmen serving with the British forces. For example, nearly one-fifth of those lost in H.M.S. *Courageous* bore Irish names.

In Northern Ireland the outbreak of war was followed by the inevitable sectarian disturbance. A territorial soldier was shot by terrorists in Belfast and others were assaulted. There followed by way of reprisal an attempt by workmen to victimise Catholics employed in certain industries but fortunately the employers refused to countenance such conduct. Lord Craigavon at once mobilised the Special Constabulary, an armed police reserve, to patrol the border and issued a stern warning to the I.R.A., 45 of whom were promptly arrested. War conditions have, however, had to take notice of the geographical unity of Ireland, for, whilst passports or travel permits are required between England

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and any Irish port, no such restriction exists on travel between Dublin and Belfast for the obvious reason that it would be almost impossible to close the land frontier between the North and South. Mr. De Valera's Government quickly followed the example of Lord Craigavon by arresting, on September 15, 93 persons suspected of activities "prejudicial to the security of the state". Of these 67 were permanently detained under the special powers given by the Offences Against the State Act, 1939, and 15 are awaiting trial. A commission had been set up in accordance with the Act to consider appeals against detention. The Civic Guard, or police force, has also been increased by the temporary recruitment of 400 men. Immediately following the outbreak of war two new Ministries were set up, one to deal with the co-ordination of defence, which as we have only one defence force seems rather absurd, and the other with supplies of essential commodities. These new positions were assigned respectively to Mr. Aiken, the Minister for Defence, and Mr. Lemass, the Minister for Industry and Commerce. There then ensued a Ministerial game of general post which lasted for some weeks and finally resulted in the appointment of Mr. Oscar Traynor as the new Minister for Defence, Mr. McEntee, former Minister for Finance, as Minister for Commerce, Mr. O'Kelly, former Minister for Local Government, as Minister for Finance, Mr. Rutledge, former Minister for Justice, as Minister for Local Government, and Mr. Boland as Minister for Justice. The reason for these complicated and protracted manœuvres is not quite clear. The old proverb about swapping horses when crossing a stream would seem to be particularly applicable, especially when some of the riders are poor performers. Criticism has been specially directed to the appointment of Mr. O'Kelly as Minister of Finance, as this gentleman has not distinguished himself as Minister for Local Government. Professor Tierney, Vice-Chairman of the Senate, during the debate in that House on

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October 4, went so far as to say that it was monstrous to expect that the financial problems which confronted us could be settled by Mr. O'Kelly. These changes have made clear the paucity of first-class men in the Government party. The obvious remedy would seem to be to call in the assistance of men of ability outside the Government party and even outside Parliament. A plea for a Government of National Union on these lines was put forward by Mr. Donal O'Sullivan, formerly Clerk to the Senate, in which he urged that such a Government was a necessity in this time of crisis and that it would command the maximum of co-operation. Mr. De Valera's reply to this suggestion, given during a speech in the Senate on October 4, was that there was something more important than experts in government and that was to get men with a full understanding of their people. A Government, he said, who knew each other's minds and had confidence in each other was much stronger than one whose members did not trust each other. The only real objection to such a National Government was voiced by that veteran Nationalist, Mr. Henry Harrison, when he pointed out that Mr. De Valera's Government is in effect a Government of the Centre and that to alter its personnel by adding members of Mr. Cosgrave's Right wing would destroy the present position of equilibrium and be cited as a justification for unconstitutional action by the militant Left. It might also easily lead to the disruption of Mr. De Valera's party.

III. RESULTS AND REACTIONS

ON September 8 it was announced that the Government as a precautionary measure had decided that it was necessary to call up the first line of the volunteer force, and that a recruiting campaign for the regular army would shortly be initiated. This notice, together with the changes in the Cabinet, led to various rumours. These were dealt

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with by Mr. De Valera when he said in the Dail on September 28 that there was no foundation for the rumour that the Government were contemplating the introduction of conscription or that there were party splits or Cabinet dissensions. On September 27 it was announced that, in view of the special problems arising out of the war situation in regard to their mutual economic and political relations, the Government of Ireland and the British Government had agreed that the existing system of communication between them should be supplemented by the appointment of a British representative. This step, long overdue, was advocated in these pages so long ago as December 1934.* Sir John Maffey, a retired Indian civil servant who was later Governor-General of the Sudan and Permanent Under-Secretary of State for the Colonies, has been appointed to this post. He arrived in Dublin a few days later and was cordially received by the Irish Government, who have provided suitable offices for the accommodation of himself and his staff. Up to the present Great Britain has only been represented in Dublin by a Trade Commissioner, Mr. G. Braddock, and, although his relations with the Irish Government and its departments have been of the most friendly and helpful character, it was essential that the wider issues which must now arise should be dealt with by a fully accredited British representative. Our peculiar position is best indicated by this title. The dominating fact that some 50 per cent. of our imports are drawn from Great Britain and some 90 per cent. of our exports are sent to that country makes it essential for agreement to be come to regarding both supply and prices. This will of course be facilitated by the fact that British buying is now organised and controlled. That there will be a strong and continuous demand for Irish agricultural produce in Great Britain is certain, for the short sea journey involved and the fact that Danish supplies may be seriously reduced will undoubtedly help the Irish

* See THE ROUND TABLE, No. 97, December 1934, p. 42.

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where vocational organisation is associated, rightly or wrongly, with totalitarian and fascist methods. The Chairman, Dr. Brown, the Catholic Bishop of Galway, has just issued an interesting memorandum appealing for information and assistance from the labour organisations in which he is at pains to explain that the Commission are at least unanimous in their abhorrence of state domination in any form. They believe, he says, that democracy should be made real by giving those engaged in an industry a voice in deciding the questions that concern that industry, an aim which can only be achieved by some form of vocational organisation. He points out that the problem of modern times is to find a middle way between unrestrained competition and state control, and that social justice and economic efficiency can only be secured by giving representative democracy its place in economic life.

Our neutrality has raised many difficulties of a constitutional nature, some of which cannot be easily resolved. For instance, the position of Irish Minister in Berlin was vacant at the outbreak of war, and as the Minister designate, Dr. T. J. Kiernan, until recently Director of Broadcasting here, had not yet been appointed by the King, it is now impossible for him to obtain letters of credence, as His Majesty can hardly be expected also to remain neutral. For the moment therefore the Secretary of Legation in Berlin, Mr. Warnock, must continue to look after our important interests in that capital. Such is the lighter side of an "external association" which involves the status of a Dominion in London and that of a neutral in Berlin. Incidentally, although the German Minister remains in Dublin, the remainder of the German nationals here have returned to Germany.

The sinking of the *Athenia* off our north-west coast and the arrival of some hundreds of survivors in Galway brought us quickly face to face with the grim realities of modern war. A branch of the International Red Cross Society has now been established here to deal with such eventualities. Some

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neutral ships bound for Irish ports, although stopped by German submarines, have been allowed to proceed without hindrance on proving their destination. Several crews from torpedoed ships have been landed on our south-west coast and on one occasion a German submarine entered Ventry Harbour, near Dingle, County Kerry, for that purpose. One of our difficulties is that we have no naval force capable of effectively policing our territorial waters and, if the submarine campaign is not kept under control by the British Navy, this may eventually raise serious questions. The position of ships registered in Ireland and flying the national flag is also peculiar. As we have never repealed the relative sections of the Merchant Shipping Act, 1894, our ships under municipal law should fly the British red ensign. Moreover, as the Irish tricolour, so far as can be ascertained, has never been registered internationally, it is not to be found in any code book. It would therefore seem to have no valid existence in international law, although it has recently become the custom to fly it on ships registered in Ireland. One such ship, an oil tanker, the S.S. *Inverliffey*, flying the Irish flag, was sunk by a German submarine on September 11, but she was bound for a British port and her registration had been changed to British while she was at sea. The German submarine commander, although his attention was directed to it, refused to recognise the Irish flag. Cross-channel sailings have also been held up because the crews of some steamers refused to sail under the Irish flag unless the interests of their dependants were safeguarded. Although not yet directly threatened by air attack we have carried out voluntarily a partial "black out" for strategic reasons, and definite regulations on this subject are to be shortly enforced. Such are the difficulties and dilemmas of neutrality and they are not likely to diminish.

Ireland,

November 1939.

INDIA AND THE WAR

I. NEW POLITICAL PROBLEMS

THE outbreak of war in Europe has introduced new problems into the political situation in India. The country is profoundly affected by the European conflict, and no domain within the British Commonwealth faces more difficult questions than those which have presented themselves in India since September 3. At the outset it must be clearly and emphatically recorded that India sides with Great Britain and France, agrees with the basic principles which induced the two democracies to accept Herr Hitler's challenge, and desires the elimination of Hitlerism. Although the Congress party seeks a new political and constitutional basis as an accompaniment to collaboration, the party is nevertheless anxious to play its part in the struggle against aggression. The Princes and the Moslems have definitely shown that their interests lie in securing an Allied victory; but their views are no stronger than those of Congress men, whose political past has made it difficult for them to offer automatic co-operation. Representing the nationalist movement, its leaders have declared their hostility to Nazism and Fascism, but they also have grudges against imperialism, even of the British kind, although the admission is candidly made that British imperialism, with whatever faults it may be endowed, is something much less sinister than the imperialisms which are stalking the continent of Europe.

The war found India in a curious constitutional position. The Government of India Act, 1935, which was designed to establish a federation between British India and the Indian States, had been partly implemented in 1937 by the intro-

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duction of provincial autonomy in British India. Under provincial autonomy the Congress had secured power in eight of the eleven Provinces. But by September 3, 1939, negotiations with the Princes to bring about federation had not been completed and, while consequential changes had been effected in the Central Government by reason of provincial autonomy, the system of administration at the centre remained, to all intents and purposes, the same as that which had been established under the Act of 1919. The result is that, while the Provinces of British India have secured what virtually is responsible government, central authority still vests in British hands, amenable only to a semi-responsible legislature in which the Princes have no voice. This constitutional position has created awkward problems, particularly affecting relations between the Congress and the British authorities. While anxious to play a part in the war against Hitlerism, the party leaders nevertheless felt themselves to be in an invidious position in allying themselves with the imperialism they had always condemned. These leaders realised that their country had been committed to war with Germany not with the sanction of the Indian people but by reason of the country's dependence upon Great Britain.

Shortly after war broke out it looked as if Mr. Gandhi would lead Congress into a position that would give unconditional support to Great Britain. After an interview with the Viceroy, Lord Linlithgow, Mr. Gandhi declared that his own sympathies were with England and France, purely from the humanitarian angle, and he said that he could not contemplate without being stirred to the depths the destruction of London, which had hitherto been regarded as impregnable. He said that while talking to the Viceroy he had broken down when he considered the possible destruction of Westminster Abbey or the Houses of Parliament. He admitted that his non-violent philosophy seemed almost impotent, and yet he had had faith enough

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in its efficacy to make a personal appeal to Herr Hitler in which he wrote :

It is quite clear that you are to-day the one person in the world who can prevent a war which may reduce humanity to the savage state. Must you pay that price for an object, however worthy it may appear to you to be? Will you listen to the appeal of one who has deliberately shunned the method of war not without considerable success?

That was before war broke out, and, in continuing his comment after his interview with the Viceroy, Mr. Gandhi said he had no thought for the present on the question of India's political deliverance. "It will come," he said, "but what will it be worth if England and France fall, or if they come out victorious over Germany ruined and humbled?" Thus, while clearly indicating in which direction his own sentiments lay, Mr. Gandhi nevertheless pointed out to the Viceroy that he carried no mandate to speak for Congress; but he remarked in his public statement that it was in the midst of a catastrophe without parallel that Congress men and all other responsible Indian leaders, individually and collectively, had to decide what part India was to play in the European drama.

II. THE OFFICIAL CONGRESS ATTITUDE

MR. GANDHI'S reference to those holding collective responsibility for the future was obviously directed to the Congress Working Committee, which was due to meet at Wardha to outline an official war policy. It was thought by many that Mr. Gandhi's statement, with its implicit offer of unconditional support, would result in the Working Committee making a similar gesture, although political observers admitted that the Committee would find this extremely difficult in view of the past history of Congress. For years the organisation has been denouncing British imperialism, and the Act of 1935, notwithstanding

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the extent of its devolution of power to Indian hands, has never been regarded by Congress men as a genuine surrender of imperial power. Political activities were in full swing against the introduction of federation when war broke out, and it was not easy for the Working Committee to forget overnight the campaign it had been waging for twenty years. Nor were the Princes and Moslems enamoured of the federal scheme, although their opposition was directed against the Congress rather than the British. The Princes hesitated to associate themselves with a constitution in which popular elements would have an important say; the Moslems strongly opposed federation on the ground that their community would be subjected to a Hindu domination. This general opposition to federation had created dissensions in India, and it became obvious that India's war effort would be seriously handicapped if the controversy were pursued in war time. Thus the Viceroy, addressing the Central Legislature on September 11, announced that the compulsion of the international situation had prompted His Majesty's Government to "hold in suspense the work in connection with preparations for federation, while retaining federation as our objective".

The removal of this domestic controversy enabled the Working Committee to concentrate its attention on the party's war policy. Like Mr. Gandhi, the Committee in a manifesto showed itself strongly against the ideology and practice of totalitarian systems, with "their glorification of war and violence and the suppression of the human spirit". But, unlike Mr. Gandhi, the Committee asked for assurances regarding the future trend of British imperialism. Objection was taken to the fact that India had been declared a belligerent country and that emergency war measures had been introduced without the consent of the Indian people. The claim was made that the issue of war and peace should be determined by Indians themselves and not by an external authority, such as the British Power was claimed to be. The

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Committee, therefore, sought a clear declaration about the future which would pledge the British Government to the ending of all imperialisms alike, adding that "the real test of any declaration would be its application in the present". In effect, the manifesto put Nazism, Fascism and British imperialism in one class, and contended that if the war was to defend the *status quo* of imperialist possessions, colonies, vested interests and privileges, India would have nothing to do with it. On the other hand, the Committee expressed the deepest sympathy with the peoples of Abyssinia, Spain, China and Poland, and said the horror of violence in Europe must be checked, although it would not end until the root causes of all imperialism were removed. To that end the Working Committee was prepared to give collaboration.

Although some sections of the nationalist press had strongly supported Mr. Gandhi's attitude, it quickly became clear that the Congress press inclined to the policy which the Working Committee had outlined. The new position was succinctly stated by the *Hindu*, the Madras newspaper, which said that the Committee's manifesto disclosed

a conflict between sympathy with the immediate and professed objective of Great Britain and suspicion of British intentions, which Britain's record as an imperial power and, in particular, her attitude towards Indian aspirations have inevitably implanted in the minds of the Indian people.

The demand became strong that His Majesty's Government, through the Viceroy, should give an assurance as to India's post-war status. It was generally understood that Pandit Jawaharlal Nehru was mainly responsible for the manifesto, particularly as he had been the guiding spirit in Congress circles on all international issues, and it was also recognised that the manifesto marked an attempt to maintain the unity of Congress by appeasing those Left wing elements, under the leadership of Mr. Subas Chandra Bose, who have lately advocated a definite break with Great Britain. But the manifesto placed the British authorities in

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a difficult position. While it was recognised that the past record of Congress made it awkward for its leaders to offer unconditional war support, there were also practical difficulties in defining Great Britain's war aims, and more particularly in defining them in relation to India's political future. Among the perplexing points raised by the manifesto was an indication that the Congress leaders expected the immediate application in India, so far as was possible, of whatever policy Great Britain contemplated. This proposal raised in acute form the very difficulties to which the establishment of federation has been mainly due—communal discord and distrust between British India and Indian India.

III. THE MOSLEM ATTITUDE

THE existing disunity became apparent when the Working Committee of the All-India Moslem League met in Delhi to define its attitude towards the war. Mr. M. A. Jinnah, President of the League, had seen the Viceroy, who kept himself apprised of political opinion in the country by seeing various leaders of political groups. The resolution adopted by the League clearly showed the suspicion felt by Moslems towards the growing power and prestige of the Congress. While the League stood for the freedom of India, it asked an assurance from His Majesty's Government that no declaration regarding constitutional advance for India should be made without the consent and approval of the League, and that no constitution should be framed and approved without that consent. This was a direct challenge to the Congress demand for a declaration from the British authorities. Moreover, the resolution showed the anxiety felt by Moslems as to their future under the 1935 Act. They were pleased that the work of preparing for federation had been suspended, and would have been still better pleased had the whole project been entirely

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abandoned. Harking back to an earlier declaration, the League deplored the British effort to bring about federation, believing it to be an attempt to force the Moslems against their will into a constitution which "permitted a permanent hostile communal majority to trample upon Moslem religious, political, social and economic rights". The League condemned the rape of Poland, expressed sympathy with Great Britain and France, but contended that real and solid Moslem co-operation could not be secured successfully if the British authorities were unable to obtain justice and fair play for Moslems in the Congress-governed Provinces. The Moslems have asserted that under provincial autonomy their "liberty, persons, property and honour are in danger, and even their elementary rights are trampled upon". The League urged the British to use their special powers to secure better treatment for Moslems under Congress rule.

The Moslem attitude was roundly condemned in the nationalist press, chiefly because the League had proved that Congress does not speak for the whole of India, a claim that is constantly made by Congress leaders. The Princes also contest the claim, as do the Liberals and the Hindu Mahasabha (orthodox Hindu body). The forward bloc within the Congress organisation also issued a number of resolutions which did not tally with the Congress manifesto in several particulars, and went so far as to deplore the war preparations which the Central Government had taken and the action of the Provincial Governments in implementing ordinances which had been imposed to meet the war emergency. The conflicting policies of all these various groups greatly detracted from the Congress claim to speak for the country, and minority elements became suspicious lest some "deal" should be made with the Congress with a view to ensuring the party's collaboration in war. Some moderating influences were exerted, chiefly from Allahabad, where the Liberal newspaper, the *Leader*, was

THE VICEROY'S DIFFICULTIES

making pleas for unconditional support of Great Britain. Sir Tej Bahadur Sapru, the veteran Liberal statesman, contended that any question of controversy with the British regarding the future of India must stand over until the common peril was past. He held that self-interest alone demanded that everything possible should be done by unreserved co-operation with the British. Sir Tej believed it would be disastrous if India were to offer help conditionally, and the emergency was no occasion for a mere theoretical fight on the basis of ideological differences. Several newspapers supported these views, and they also agreed with the suggestion which Sir Tej made for the creation of a provisional federal government, a scheme that was being propounded with enthusiasm by the *Statesman* of Calcutta and Delhi.

IV. THE VICEROY'S DIFFICULTIES

INDIANS instinctively looked to Lord Linlithgow for a solution of the problem posed by the Congress leaders. After his declaration showing that unconditional support was his own policy, Mr. Gandhi nevertheless felt bound to accept the ruling of the Working Committee, and he quickly became the chief spokesman on behalf of the Congress demand for a British declaration. He stressed the need for an assurance from Great Britain that all the dependencies under the Crown should be granted the fullest political freedom, and saw no difficulty in giving immediate practical effect in India to such a declaration which in his opinion would imply war collaboration on terms of equality between Indians and British. He believed the practical machinery for such collaboration could be based on the existing Central Legislature. Thus Mr. Gandhi became the prime protagonist of the Congress case, and the view was widely held that in association with the Viceroy he could bring the issue to a conclusion that would satisfy Indian opinion. Meanwhile,

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Pandit Nehru rose to new heights in the Congress. As the party's expert on international affairs, it was thought fitting that he should become chairman of a war committee which Congress created, and, as it was generally known that the Congress manifesto had been prepared by him, it became obvious that he had secured a fresh hold on the Congress policy for the future. Prior to the outbreak of war the Viceroy had consulted Indian opinion about the despatch of Indian troops overseas, and when war broke out, he continued these consultations with political leaders. Pandit Nehru was among the leaders invited to Delhi.

Emergency ordinances had been promulgated by the Central Government in the interests of internal security and for the effective prosecution of the war, and it was hoped there would be no difficulty in regard to the implementing of these war measures by the Congress Ministries in the Provinces. Hints had been thrown out in some newspapers that these Ministries might vacate office rather than be subjected to a central authority which had no popular sanction, but during the early stages of controversy about a British declaration of war aims there was no indication that the Ministries were intending to resign. The issue would clearly depend on the outcome of the controversy which has been described above. On the one hand, all India was opposed to Hitlerism; and recent events in the Far East and in Europe had convinced nearly all except a handful of extremists that her association with Great Britain was a protection which India cannot afford to lose at this stage of her constitutional evolution. On the other hand, leading Congress men were unwilling to offer whole-hearted service to a cause which meant freedom for others if it did not imply greater political freedom for themselves.

The press offered various suggestions for ending the controversy. Chief among them was the need for a declaration which would indicate what India might expect in the way of constitutional advance after the war. Dominion

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status was urged by some, independence in the sense of separation from the British Commonwealth by others. But most writers, including Pandit Nehru, asked simply for "freedom". Some newspapers, including British-owned ones, recommended the formation of some kind of coalition government at the centre, which would collaborate with the British in winning the war, and form the nucleus of a federation when the war ended. This scheme found general favour among Indians. But underlying all the proposals was a plea for political unity and a solution that would enable India, and particularly the Congress, to contribute its services to the British war effort. Moderate opinion was behind Mr. Gandhi in offering unconditional support. Some commentators, such as the *Hindu*, maintained that "the triumph of right and justice in this war will be a victory for India's self-government, though that may not be the direct issue". The *Hindu* went farther. It held that there could be no question of Congress Governments in the Provinces having to do anything repugnant to their own wishes or principles in carrying out agency functions on behalf of the Central Government. This implied that there was unwillingness among some Congress elements to bring about the resignation of Congress Governments.

Lord Linlithgow moved with caution. It was recognised that the Congress demand raised important constitutional issues; it was also appreciated that the attitude of the Moslems and other minorities made it difficult for the Viceroy to meet the Congress demand; it was felt that the Princes would have to be considered in any declaration that His Majesty's Government might make. The simple case for a declaration which the Congress made out was complicated by demands from other groups, which were often contradictory and frequently mutually destructive. Lord Zetland made a statement in the House of Lords which indicated that the Congress demand was inopportune, a view that was generally regarded as unfortunate. But the statement

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clearly hinted at the practical difficulties which lay in the way of meeting the Congress request. Some sections of the nationalist press gave the impression that the Congress demand was not so altruistic as it appeared to be, and plainly was intended to secure now a binding pledge of future policy towards India. Yet to meet the Congress case by promising something that exceeded the Act of 1935 was bound to excite the implacable hostility of the Moslems with all the repercussions such hostility would have upon recruitment and war effort in the martial areas of the Punjab. The Moslems have shown with emphasis that the existing plan of federation is too liberal from their standpoint, and that an alternative constitution showing greater liberality would be even more objectionable to them. Moreover, the hesitancy shown by the Princes to enter federation was largely traceable to their dislike of a close political association with the Congress, whose members have shown more enthusiasm than tact in urging constitutional reforms in the States. Lord Zetland's statement in the Lords obviously had these difficulties in mind; the same difficulties were facing Lord Linlithgow.

V. SEEKING A SOLUTION

THE Viceroy invited fifty-two political and community leaders to meet him in Delhi to discuss the problem raised by his Congress demand. Among those invited were Mr. Gandhi, Pandit Nehru, Babu Rajendra Prasad, President of Congress, and Mr. Jinnah; there were also representatives of the Liberals, the Scheduled Castes, and the Hindu Mahasabha. The spirit of consultation had never before been so prominent in Indo-British relations and there was subdued optimism that some agreement would be reached that would enable the Congress to ally itself with the British authorities in the prosecution of the war. In due course the Viceroy issued a statement, but it was received

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with keen disappointment in India. Nevertheless the statement contained some specific declarations which undoubtedly advanced the controversy to a stage where solution was possible. The Viceroy clearly emphasized that Dominion status remained the constitutional goal; he announced his intention to create a Consultative Group at the Centre for the purpose of associating Indian opinion with the prosecution of the war; and he made an authoritative declaration on behalf of His Majesty's Government that at the end of the war the British authorities would willingly enter into consultation with Indians to secure modifications of the federal scheme in the light of Indian views. Underlying the statement was an indication of the difficulties the Viceroy had been facing in his interviews with political and community leaders. It suggested that rival views were held by opposing elements, not only regarding the Congress demand for a declaration of British war aims but also in regard to the future of the Indian constitution.

The Nationalist press contended that the Viceroy's declaration fell far short of meeting the Congress case, particularly in respect of the Congress demand for independence, for which the Viceroy's reiteration of the existing constitutional policy was considered to be an insufficient substitute. While British-owned newspapers welcomed the decision to modify the Government of India Act after the war, the Congress press emphasized the difficulties of securing unanimous agreement among Indians and claimed that Congress represented a sufficiently overwhelming body of opinion to justify a greater consideration for its views. The proposal to establish a Consultative Group to associate Indian opinion with the conduct of the war was regarded as no logical solution for a constitutional position which linked responsible Provincial Governments with a Central irresponsible administration. The Congress disappointment took a practical form and the Working Committee ordered the resignations of the eight Congress Ministries in the Provinces.

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Statements issued by Mr. Gandhi and others showed that the Congress leaders were greatly irritated with the turn events were taking, and the belief emerged that the Viceroy in seeing so many communal representatives had added to the difficulties of a solution. The debate in the House of Commons did little to appease Indian opinion, although prescient political commentators believed that the Congress case could have been met within the terms of Sir Samuel Hoare's speech. In that speech Sir Samuel pointed to the communal differences as a hindrance to constitutional progress, but he also emphasized the need for agreement among the communities and pledged British collaboration in securing it. The Nationalist press asserted that the speech contained no specific assurance to the effect that India would secure political equality with the Dominions after the war. It was claimed that constitutional advance by gradual stages was no longer acceptable to Indian opinion, and the demand was repeated that responsible government should be conceded in full to India after the war and the right given to Indians to prepare the kind of constitution they wanted.

The Viceroy's declaration and the debate in the Commons did, however, strengthen the belief in India that a settlement of the communal question is a prerequisite to political progress; and the opinion developed that Indians themselves should find a solution for the problems which keep the communities apart. While there is still a tendency to blame the British authorities for the existence of communalism, it is now generally admitted that communalism exists in acute form. But the Nationalist press sees no reason why this should prevent the British Government from giving a declaration that India will secure independence after the war. The basic cause of the controversy lies in the contrasting approaches which are made by the British and the Congress towards the independence issue. The British assert that Indians should compose their internal differences and produce the conditions which make Dominion status inevitable;

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the Congress ask for a declaration of independence for India which will leave Indians to settle their domestic differences by themselves. Congress spokesmen and others believe that the British might well give this assurance, as it implies that the onus for finding the requisite agreement will rest with Indians.

This simplification of the main problem does not, however, wholly remove the difficulties which face the Viceroy. The Moslem suspicion of Hindu domination at the Centre is now so strong that Moslem leaders have even become suspicious of the democratic principle as the basis of Indian government. The Moslems were particularly pleased when the Viceroy announced that work on the federal project had been suspended, and they would be even better pleased if it could be stated that Federation had been given up entirely. There is, indeed, a tendency for Moslems to exercise a right to veto any constitution that may be devised. While Congress still aims at a unified India, which will associate British India with the Indian States, the Moslems are moving more and more towards separatism and the creation of a Moslem Ulster in the country as a means of protecting Moslem interests and culture. It is clear that the Congress will have to do something to meet the Moslem case, otherwise the vision of a unified India will evaporate.

In spite of the new difficulties created by the resignation of the Congress Ministries the Viceroy continued to seek a settlement and he invited Mr. Gandhi and Dr. Prasad, as representing the Congress, and Mr. Jinnah, representative of the Moslem League, to meet him in a joint Conference. A white paper issued later disclosed that the Viceroy invited the representatives of the two parties to come to some agreement regarding Provincial communal problems, as a preliminary to further discussions which were intended to explore the possibility of expanding the Viceroy's Council to include political representatives. The ensuing conversations between the party leaders failed to find an agreement,

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chiefly because the Congress leaders regarded a declaration of British intentions towards India as an essential preliminary to any subsidiary discussions. What the party leaders actually discussed is not known, but the Viceroy in his statement on the situation indicated that "there remains to-day entire disagreement between representatives of major parties on fundamental issues". The Congress leaders apparently regarded the controversy as a political and not a communal one, although actually the two issues are interwoven and can scarcely be separated. In a broadcast speech the Viceroy emphasized his intention to continue to try to find a solution, and his determination to do so reflects general opinion in India. Even in the Congress press emphasis is laid on the need to come to some amicable arrangement, although the party leaders appear to be unwilling to compromise until they have secured a declaration from the British Government that India will attain her independence at the end of the war and be endowed with the authority to frame a constitution for the country through the agency of a Constituent Assembly.

India,

October 1939.

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I. THE WAR BEGINS

SO critical had the international situation become in the latter half of August that even the many inhabitants of Great Britain on holiday realised that the odds on war were rapidly shortening. It is probably true to say that, while in September 1938 there was a large section of opinion which still believed that peace could be preserved, in August of this year after the non-aggression pact between Germany and Russia had been signed, 99 per cent. of the population prepared for the worst.

Fortunately, this time they were able to do so in the knowledge that the foundations of preparedness had already been laid. The full mobilisation of the Navy, ordered on August 31, merely rounded off a measure which had begun over a month previously when a large part of the Reserve Fleet had been called out. And the Proclamation of the following day mobilised an Army which, including the Reserves, the Territorials and the Militia, had virtually been doubled in the course of the year, and an Air Force which only four weeks earlier had had a full-dress rehearsal. The most conspicuous weakness of September 1938 had also been remedied, and Britain's fourth and youngest service, that of Civil Defence, was standing by. On the day of general mobilisation all A.R.P. personnel were called up; and by instructions to local authorities and to local A.R.P. controllers to set up their emergency committees and to requisition buildings for shelters and first-aid posts, the whole machinery of Civil Defence was put into operation.

At the same time as the mobilisation of the services was proceeding, the evacuation of the schoolchildren and other

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priority classes from London and other vulnerable areas was taking place. Here it was a question of putting into force plans which had been hastily conceived in September, 1938 and slowly brought to maturity in the ensuing months. When the evacuation order was given for September 1 school-teachers and helpers had already been standing by for nearly a week; and the task of transferring the school-children and other priority classes was carried out without a hitch. The chief disappointment was the comparatively small number who availed themselves of the opportunity to leave the vulnerable areas. The plan had been intended to cover about 3,000,000 people, of whom about 1,500,000 were schoolchildren. The actual number evacuated was only about 1,400,000, of whom 750,000 were schoolchildren, 542,000 mothers and young children, 12,000 expectant mothers and 77,000 others.

By the time of Mr. Chamberlain's historic broadcast pronouncement that war had been declared, the country was, therefore, already on a war footing. To the ordinary individual this was most apparent in the evacuation scheme, in the black-out regulations which came into force on September 1, in the restriction of home broadcasting to a single service, and in the prohibition of all entertainments, football and cricket matches, and other public gatherings. What he did not immediately realise, in the first shock of war, was that these were only a few outward symptoms of a complete reorganisation of national life and the setting up of a vast machinery of state.

II. THE MEN IN CHARGE

THOSE responsible for putting the new machinery into action were virtually the same men who had directed the Government for the last few years of peace. But in announcing the formation of his War Cabinet of nine on September 3, the Prime Minister revealed that he had not

been entirely deaf to the calls for new blood in the Government. The appointment of Mr. Churchill to the office he held at the outbreak of the Great War—First Lord of the Admiralty—was almost a foregone conclusion. So, too, was the return of Mr. Eden, who, though outside the War Cabinet, as Dominions Secretary was to have special access to it. But the news that Lord Hankey was to have a place in the War Cabinet as Minister without Portfolio was unexpected; though welcome and significant in that he brought the vast experience accumulated as Secretary of the Committee of Imperial Defence from 1912 to 1938 and Secretary of the War Cabinet and later of the Imperial War Cabinet in the last war. Members of the new War Cabinet who retained their old offices were Sir John Simon, Lord Halifax, Lord Chatfield, Mr. Hore-Belisha and Sir Kingsley Wood. Sir Samuel Hoare, who succeeded Sir John Anderson as Lord Privy Seal, made up the ninth member.

Outside the War Cabinet there were more Ministerial changes. Sir John Anderson became the Home Secretary and Minister of Home Security, thus continuing under another title his old charge of organising A.R.P. Lord Stanhope moved from the Admiralty to be Lord President of the Council in succession to Lord Runciman. Sir Thomas Inskip became the new Lord Chancellor. New offices were filled sometimes by existing Ministers and sometimes by new recruits. Thus, Mr. Morrison became Minister of Food as well as retaining his old office of Chancellor of the Duchy of Lancaster; and Mr. Ernest Brown tacked on the title of Minister of National Service to his title of Minister of Labour. A former Cabinet Minister, Sir John Gilmour, was brought back when the Ministry of Shipping was set up in October. But newcomers were appointed to the biggest of the new Ministries, Lord Macmillan becoming Minister of Information and Mr. Ronald Cross Minister of Economic Warfare. Close consultation with the Empire has been maintained by the arrival in London of representatives

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of the Dominions and India and by the unprecedented appointment of Sir John Maffey to be the representative of the Government of the United Kingdom in Eire.

An obvious gap in the constitution of the new Government is the absence of any members of the Opposition parties. At a joint meeting of the Executives of the Labour party and the Parliamentary Labour party, the Prime Minister's invitation to the Opposition leaders to join the Government was considered and declined. Sir Archibald Sinclair and his fellow Liberals refused a similar invitation. But in taking this step the Opposition parties emphasize that they intended to support the Government who are heartedly in the prosecution of the war, and party content at by-elections have been suspended. Both parties feel however, that the preservation of an active and vigilant Parliamentary Opposition was of more use towards successful conduct of the war than the mere emphasis on national solidarity, which already existed so demonstrably that to endorse it by joining the Government would have been superfluous, especially, as the Liberal leader pointed out, since the invitation did not include a place in the War Cabinet. Further evidence of the willingness to sink political differences was provided by the Trades Union Congress which on September 4 declared its approval of the Government's policy. It also revealed that contact between the General Council of the Trades Union Congress and the Government was being established. This has since been confirmed by the announcement that a national advisory council, composed half of employers and half of trade union leaders, had been appointed to the Ministry of Labour, and that similar advisory councils of trade union leaders were attached to the Ministry of Supply and the Ministry of Food.

III. THE WAR EFFORT

CONTACT between the trade unions and the Government is particularly important in view of the tremendous

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dous task of ensuring that the country's man-power is fully utilised. The National Service (Armed Forces) Act, which was passed on the day war was declared, makes all able-bodied men, aged 18 to 40 inclusive, liable for service in the armed forces of the Crown. But it has long been recognized that the industrial no less than the fighting front must be adequately manned. The Schedule of Reserved Occupations gives a list of trades and professions which can least easily spare men; and the Control of Employment Act is designed to ensure that vital industries are not held up for lack of labour supplies. Wide powers were originally given by it to the Minister of Labour to control by Order all engagement of employees. These powers were modified after discussion with representatives of the employers and the trade unions; and the Bill as finally passed contains safeguards against transferring a workman against his will, and permission to an employer to engage a workman may not be refused unless alternative employment is offered. A clause, too, provides for the continuance of the regulation of entries into particular employment by the trade unions and the employers. This underlines the fact that the Bill does not introduce dilution of labour. But though that has not yet come, a small but significant start was made as early as August 31 when an agreement was reached between the Engineering and Allied Employers' National Federation and the Amalgamated Engineering Union for the utilisation in the engineering industry of semi-skilled labour "where it can be shown that skilled men are not available and production is prejudiced".

If the Ministry of Labour has power to ensure the best utilisation of industrial man-power, the Ministry of Supply has power over the output of munitions and the control of raw materials. By the end of the first two months of war the Ministry had spent about £110,000,000 in new commitments; and 10,000 factories were engaged on direct orders alone. The Ministry has the power to compel industrialists

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to give priority to government orders; it can restrict non-essential industries. With the help of its controls that have been established for a host of important raw materials, including iron and steel, non-ferrous metals and wool, it can ensure that competition for the materials of war is eliminated; it fixes maximum prices; and, in sum, has the power to mobilise the whole industrial resources of the country for one end.

In the meantime, on the fighting front recruitment for the services has been in strong contrast to the situation in 1914 when there was an immediate rush to enlist. The expansion of the Army before the outbreak of war, and the introduction of conscription, had already provided the country with an army of nearly one million men. It is clearly useless recruiting more men than can be trained, clothed and equipped; and since war broke out only one Proclamation calling up men under the National Service (Armed Forces) Act has been made. Men who on October 1 had reached the age of 20 but not 22 have had to register, but the quarter of a million affected by this Proclamation will not actually be called up for training until the men, who still remain to be called up out of the quarter of a million registered in June under the Militia Training Act, have been absorbed.

The existence of conscription, and the size of the Army, have naturally restricted the amount of voluntary enlistment. Nevertheless, the announcement by the War Office on October 27 that voluntary enlistment to certain regiments of the line was to be opened for men between the ages of 22 and 35, and that men between 35 and 50 could join a new corps—the Auxiliary Military Pioneer Corps—which would help in maintaining supplies to the forces, met with a quick and eager response.

What is this effort to cost? At the outset of war Parliament voted a credit of £500,000,000. Adding this to the pre-war estimates of expenditure on the four services gives

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an expenditure for war purposes this year of £1,249,000,000 out of a total expenditure of £1,933,000,000. To meet this expenditure, revenue on the pre-war estimates was to bring in £942,000,000; but Sir John Simon, in introducing his war budget on September 27, said that the effect of the war would be to reduce the estimates by £54,000,000. The standard rate of income tax was therefore to be raised to 7s. in the £ for 1939-40 and to 7s. 6d. for 1940-41; the rate charged on the first £135 of taxable income was raised this year from 1s. 8d. to 2s. 4d.; and next year the allowances are to be reduced. The rates of surtax and estate duty were also increased, the total increases in direct taxation being estimated to yield an additional £76,500,000.

Heavy additions were also made to indirect taxation, the Chancellor sticking to the old favourites of alcohol, tobacco and sugar. The only new tax introduced was an Excess Profits Tax which, unlike its predecessor, the Armaments Profits Duty, applies to all firms. It is to be levied at the rate of 60 per cent. on all profits above a pre-war base year. The net effect of these taxes, drastic as they seemed, was to raise the revenue estimates by only £107,000,000 to £995,000,000, leaving £938,000,000 to be met by borrowing.

IV. THE NEW BUREAUCRACY

SO great is the war effort to be made that it has called forth intervention by the State in almost every aspect of national life. On August 24 the Emergency Powers (Defence) Act, which enabled the Government to impose regulations for the defence of the realm by Orders-in-Council, was passed almost without comment and certainly without opposition. Nearly a week before war broke out ninety-six regulations were issued under the Act, dealing with the control of information, the control of communications, shipping and transport, the right of evacuating areas and billeting. Within a few days thirty-two similar regula-

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tions were issued; and Orders under the regulations had begun to appear. In addition to the wide powers possessed by the Government under this Act, further powers were given by a whole series of new statutes, Act following upon Act in such quick succession that sixteen became law on one night alone.

For the most part the new legislation concentrated the Government's hold upon the resources of the nation. For instance, the Currency (Defence) Act authorises the use of the Exchange Equalisation Account for war purposes; the Trading with the Enemy Act gives statutory force to the common law prohibition of trading with the enemy; the Ships and Aircraft (Transfer Prohibition) Act makes the transfer or mortgage of ships and aircraft subject to licence; the Import, Export and Customs Powers (Defence) Act places the country's foreign trade in the hands of the Board of Trade. The resources of man-power are affected by the National Service (Armed Forces) Act and the Control of Employment Act which have already been mentioned, and also by the National Registration Act, under which a census was taken on September 29 of every individual in the nation.

The whole organisation of the City of London was changed by the Defence (Finance) Regulations issued under the Defence (Emergency Powers) Act. These again aimed at the mobilisation of resources, and their most important provisions were those which transferred private holdings of gold and assets in certain foreign currencies—United States and Canadian dollars, French and Swiss francs, Swedish and Norwegian crowns, belgas, guilders and pesos—to the Government; holders of securities in these currencies had to declare them so that they may be mobilised when the need arises. For these currencies the Bank of England fixes official buying and selling rates; and dealings in all foreign currencies are ultimately centred in the Bank. The purchase of any foreign currency is subject to official permission, but the reasonable requests of importers are complied with.

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Like the old foreign exchange market, the gold market has disappeared. The price of gold is now fixed by the Bank of England (the price has been 168s. a fine ounce since the outbreak of war), and the only business done has been the sales of gold to the Bank from Continental hoards. The silver market escaped the bureaucratic axe for the first few weeks, but a Board of Trade Order made on October 26 prohibited the import of silver except under licence and condemned the silver market, like the gold market, to oblivion except for commercial purposes.

The Bank of England itself was not immune from the financial mobilisation. The whole of the gold in the Issue Department, except for an odd £100,000, was transferred to the Exchange Equalisation Account on September 6, and the fiduciary issue was consequently raised from £300,000,000 to £580,000,000. It says much for the confidence felt in the monetary system that this transfer could take place at a time when the note circulation was reaching a record level. The same Bank Return that revealed that the gold in the Issue Department had been transferred showed that the note circulation had reached nearly £550,000,000. The peak came a week later at £553,500,000; and in addition postal orders had been legal tender from the outbreak of war. Bank rate, which had been unchanged for more than seven years, had been raised from 2 to 4 per cent. on August 24.

On the Stock Exchange business had for so long been restricted by near-war conditions that from the point of view of activity the outbreak of war made little difference; and as early as August 23 official minimum prices had been fixed for gilt-edged securities. In strong contrast to 1914, however, the market was only closed for four working days, two of which were due to the curtailment of transport during the evacuation period. But when it reopened it was on the basis of cash bargains only; and the capital market is now under complete control, Treasury consent being required for virtually every capital issue.

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Another batch of laws aimed at softening the impact of the war on civilian life and property. The Personal Injuries (Emergency Provisions) Act provides for compensation in the event of death or injuries to civilians from air-raids or other military operations; by the Unemployment Assistance (Emergency Powers) Act allowances can be made to persons outside the scope of the Unemployment Assistance Act who are in distress by reason of the war; the Courts (Emergency Powers) Act prevents a person, without the leave of the Court, from proceeding to execution on any judgment or order of a Court for the payment or recovery of a sum of money. The Compensation (Defence) Act provides, inadequately it is true, for compensation in respect of taking possession of land and the requisitioning of vessels, vehicles, aircraft and other goods. The Rent and Mortgage Interest Restrictions Act provides that there shall be no further de-control of houses and extends the same form of control to all houses with a rateable value of up to £100 in the Metropolitan Police District, £75 elsewhere in England and Wales and £90 in Scotland.

So many and so sweeping have been the new regulations and legislation put into operation that it is hardly surprising that a new bureaucracy has arisen to implement them. In some cases, as in finance, the new powers are placed in the hands of existing Departments. In other cases, Departments in their infancy have grown to full size in a night. The Food (Defence Plans) Department of the Board of Trade, for instance, which had existed since 1936, blossomed into the Ministry of Food with control over the prices and distribution of food. The Ministry of Supply, the Cinderella of the present Government, has been transformed into an organisation of a size and importance of which it is not itself fully aware. Finally, there are the entirely new Departments, new in the sense that they were born with the war although conceived many months previously.

Of the latter the one that has so far come in for most

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publicity has been, perhaps naturally, the one concerned with it. On the outbreak of war the Ministry of Information was charged with the functions of distributing news at home, propaganda abroad and censorship. Obviously, the first and the last of these are functions which touch a press-conscious public very nearly; and the absence of news, together with the delays and muddles of the censorship, immediately evoked a storm of criticism in the press and in Parliament. As the weeks passed, to criticism of the Ministry's work was added criticism of the personnel. Complaints of the number of the staff were voiced in the House of Commons, and calls for economy were made. Early in October, therefore, the Government gave way to public opinion and reorganised the Ministry by giving back to the other Government Departments their pre-war direct contacts with the press and making the censorship responsible not to the Ministry but to the Departments themselves. As the result of this reorganisation the staff of the Ministry was reduced by about 30 per cent.

The Ministry of Economic Warfare has fared more happily. If the foreign trade of Great Britain is now controlled by the Board of Trade, the Ministry of Supply, the Ministry of Shipping and the Treasury, it is the Ministry of Economic Warfare which has been entrusted with the task of strangling Germany's trade and preventing supplies from reaching her. All ships passing the British contraband bases have to call in to have their cargo manifests examined. If the Ministry's officials think there is evidence that cargo, on the contraband or conditional contraband list, is destined ultimately for Germany, the cargo is detained pending a final decision by the Prize Court. In this way Germany's attempts to maintain her supplies through neutral countries are defeated. A measure of the success so far achieved is found in the figures given for the amount of contraband seized by the British contraband control in the first eight weeks of war. Of the total of 400,000 tons suspected of

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being intended for Germany, over 87,500 tons were petroleum products; 30,000 tons oils, oilseeds and fats in which Germany is notoriously short; 21,500 tons of aluminium and bauxite; and 11,000 tons of wool, cotton and other fibres.

V. STOCK-TAKING

ON the fighting front the first two months of war have been vitally different from 1914 and different, too, from what had been expected. In 1914 a small British Expeditionary Force found itself engaged in fierce hostilities as soon as it crossed the Channel. Twenty-five years later a larger and more mechanised force has been transported to France but has not yet been engaged in action. In 1914 the submarine menace had yet to come. In the present war, submarine offensive was taken against merchant shipping at the outset, and in the first two months the total of merchant tonnage lost by submarine or other methods was 238,795. Contrary to expectations, it has been the Navy and not the Royal Air Force which has suffered the greatest losses. The sinking by submarine action of the aircraft carrier *Courageous* on September 18 with a total loss of 515 officers and men, and of the battleship *Royal Oak* at the end of the second week in October with a loss of 810, have been to date the major disasters of the war.

But if the Royal Air Force has not yet been called upon to withstand heavy air attacks on Great Britain, it has been trying out its activities along other lines. The leaflet and reconnaissance flights over Germany and the Western Front, the protection of convoys, the bombing of the German Fleet and the beating off of air attacks on the British Fleet have tested and proved the quality of Britain's air power.

On the home front the period has also been one of testing—testing the new machinery of State and testing the

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individual's patience to put up with it and the ceaseless interference with his private life that it entails. The absence of any large-scale air attacks has been a blessing in more ways than one, for it has enabled criticism both to fill in necessary gaps and also to provide some safeguards for civil liberty before the new bureaucracy obtains a stranglehold. An example of the former may be found in the appointment of Lord Stamp to act as Economic Adviser to the Cabinet Committee set up to co-ordinate economic and financial policy and also as president of an inter-Departmental Committee composed of the permanent heads of the Departments concerned. And fears lest in defeating Hitlerism abroad we should establish it at home were expressed by all parties on October 31 in a debate in the House of Commons on the amendment of the Defence Regulations, as a result of which the Government promised safeguards and an all-party consultation.

In more specific ways the first restrictions and precautionary measures have been relaxed. Places of entertainment in neutral and reception areas have been re-opened, and with certain limitations in London and other vulnerable districts. Football matches have been permitted. Some of the curtailed train and bus services have been restored. Petrol rationing came into force on September 23, but the proposed 25 per cent. cut in coal, gas and electricity consumption has been suspended. In the City, Bank rate is back to its pre-war level of 2 per cent. Modifications have been made in the Government's scheme for the insurance of goods on land against war risks, which on the outbreak of war was made compulsory for all owners of goods of a saleable value of over £1,000. Steps have been taken to reduce the number of A.R.P. personnel by differentiating between more and less vulnerable areas and to place it on a more permanent basis.

But though restrictions may have been modified and relaxed, there remain ominous gaps that have not been

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filled. There is still no sign that the Government has realised the drastic action that must be taken to prevent waste and inflation. The Prices of Goods Bill passed on October 25 aims at preventing profiteering, and maximum prices have been fixed for the majority of foodstuffs and raw materials. For raw materials, however, the Ministry of Supply fixes prices after consultation with the Controls, who being the pre-war representatives of the industries concerned are interested parties. The prices of food are fixed by the Ministry of Food, but it has not been able to prevent a rise in the cost of living index number of ten points in September, which, taken with a general rise in wages, must be viewed with concern and forms a sinister background to the public's relief that rationing will at first be confined to butter and bacon. Also on the debit side, though not unexpected, must be put the rise in unemployment of 198,946 in September and October and the big drop in trade in September, imports showing a fall of about £25,000,000 on September 1938 and exports a fall of £20,300,000.

Great Britain entered this war with memories of the last war still green. It is for this reason that measures have been taken and machinery put into force which last time waited until, in some cases, the war was half over. If, as a result, the country seems now to be suffering badly from indigestion, it has at least the mental comfort that a large part of the necessary evils of war has already been swallowed.

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I. THE OUTBREAK OF WAR

CANADA has been in a state of war with Germany since September 10, as the result of a Proclamation, made in the name of King George at Ottawa, with a careful observance of all the formalities required to emphasise the separate national status and the independent decision of the Dominion. The week's delay in making a formal declaration of war, which aroused explosive indignation in imperialist circles, was due to the resolute determination of Premier Mackenzie King to fulfil his oft-repeated pledge not to commit Canada to participation in another overseas war without the full authority of Parliament, but it had the advantage of allowing time for public sentiment in favour of participation to crystallise and also of enabling certain supplies of war equipment, which had been ordered in the United States, to be shipped across the border before the neutrality legislation of the United States became operative against Canada. Even severe critics of the King Ministry admit that it deserves considerable credit for bringing Canada into the war with a minimum of friction. With the nation behind it, it has secured popular acquiescence in a series of very drastic measures of state control extending to almost every sphere of economic and financial activity. These have been imposed under the authority of the War Measures Act, a Statute passed by the Borden Ministry in 1914, and fortunately never repealed.

Parliament was summoned to meet for a special session on September 7 and there was a full attendance of both Houses to hear the Speech from the Throne repeat the intention of the Government, which Mr. Mackenzie King

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had announced as soon as Britain declared war, to request the authority of Parliament for effective co-operation with Britain and France to checkmate Germany's aggression, and for the measures needed for this purpose. The Prime Minister intimated that he would regard the adoption of the Address as tantamount to the mandate which he sought, and so the debate on the Address, which lasted two days, was restricted to the issue of Canadian participation and the policies required to make it effective. The exposition of Ministerial policy was undertaken by Mr. Mackenzie King and his leading French-Canadian Minister, Mr. Lapointe, the Minister of Justice. The former gave a carefully reasoned exposition of the compelling motives which had induced his Government to range Canada by the side of Britain and France in the grim struggle with Nazi tyranny that lay ahead. He defended himself against charges that he had failed to follow the example of Mr. Chamberlain in consulting the leaders of other parties, and he gave some account of the events immediately preceding the outbreak of war and of the modest part he had played in attempting to avert it by appeals to Hitler, Mussolini, and the President of Poland.

Since the Ministry's plans were in the embryo stage, he would not make any definite disclosure of them, but he intimated that Canada would assume full responsibility for the defence, not only of her own territory, but also of Newfoundland and Labrador, in order to protect the great commercial artery of the St. Lawrence, and would send overseas aviators and planes. But her initial contribution to the Allied cause would be largely in the shape of generous supplies of manufactured munitions and foodstuffs. In regard to an expeditionary force he was non-committal, but he was able to point out that the Australian Government had not yet undertaken to organise such a force, and he announced that, through the agency of the militia regiments, recruits would be enlisted for a "Canadian Active Service Force"

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He was able to read to the House of Commons offers of whole-hearted co-operation from most of the provincial Governments and from a long list of nation-wide and local organisations, including various associations of foreign-born residents of Canada. In the closing passage of his speech he said:

What this world is facing to-day is deception, terror, violence, and force, by a ruthless and tyrannical Power which seeks world domination. I say there has not been a time, the period of the last war not excepted, when the countries of the world faced such a crisis as they face to-day. I want to ask the House and the people of Canada in what spirit are they going to face this crisis. Are they going to face it believing in the rights of individuals, in the sacredness of human personality, believing in the freedom of nations, believing in all the sanctities of human life? I believe they are, and I believe through their representatives in Parliament they will so indicate in no uncertain way.

Dr. Manion, who opened the debate, declared that the Conservative party, while it would reserve its full rights of criticism, was in complete agreement with the Government's policy and would give it support in every possible way. He was even stronger in his condemnation of Hitlerism than the Prime Minister and besought the House to remember that, if the democracies were beaten, there was no richer prize than Canada among the nations of the world. He insisted that the Government must take immediate steps to prevent profiteering in any shape or form, and he concurred with Mr. Mackenzie King in pronouncing against military conscription. It was left, however, to Mr. Lapointe to make the best speech of the debate and also the best and bravest in his long public career, as he must have known that his clear-cut and ardent advocacy of Canadian participation in the war would be unpalatable to some of his compatriots in Quebec. He directed his main efforts to demolishing completely the arguments advanced by French-Canadian isolationists, who had been organising anti-war meetings in Quebec, and he made out an almost unanswer-

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able case against their attitude, showing by chapter and verse how neutrality was virtually impossible for Canada in any major war in which Britain might be engaged. Then he dealt with a suggestion that Canada's military contribution should take the form of volunteers for the British Army, whom the British Government would pay.

Well, Mr. Speaker, this is a shameless, dishonourable proposal. They say, "You may give your life; you may shed your blood, but your country refuses to pay the expense incidental to your sacrifice." I am too proud, too conscious of Canadian dignity, to discuss such a proposal. I am surprised that any man of whom it may be said, in the words of our national song, "*Il est né d'une race fière*," could entertain this disgraceful suggestion. In the Middle Ages European countries were hiring mercenaries throughout the world to fight their battles. Canadians will never be mercenaries paid by any country—not even by Britain. If Canadians go to the front line of the battle they will go voluntarily as Canadians, under the control of Canada, commanded by Canadians and maintained by the Dominion of Canada.

He felt it necessary, however, to sound a note of warning about the impossibility of ever persuading the French-Canadian race to accept conscription for an overseas war, and to plead for an avoidance of extremist views, whose advocacy could not fail to arouse antagonism and disrupt Canadian unity.

Mr. J. S. Woodsworth, the veteran leader of the C.C.F. party, found himself unable to forswear his lifelong pacifist views, and attacked the idea of Canadian participation in another of a series of imperialist wars, which must go on as long as the present capitalist system with its exploitation of the working classes and its rivalries for markets existed. But he found himself at variance with the rest of his party, and their spokesman, Mr. Coldwell, declared that they would support Canada's entry into the war with the caveat that assistance to Britain should be confined to economic and financial help. The Social Crediters endorsed the policy of the Government without any such reservations, but

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insisted that there must be immediate conscription of both man-power and wealth. Ministers had been anxious about the extent of the opposition to their policy which was known to exist among their French-Canadian supporters, but it proved to be much smaller than they had foreboded. The views of these dissentients were ably stated in a temperate speech by Mr. Maxime Raymond, K.C., a prominent Montreal lawyer, who advanced all the stock arguments of the isolationist school of thought, argued that Canada should not concern herself with the fate of Poland in which she had no direct interest, and warned Ministers that, if they tried to introduce conscription, they would endanger the stability of Confederation. He was backed by four other Liberals from Quebec who took a similar line, but the main body of the French-Canadian contingent on the Ministerial benches had been impressed by the validity of Mr. Lapointe's arguments. Support for participation was forthcoming from various Conservative speakers, including Mr. Heon, a French-Canadian, who had always been reckoned an extreme nationalist, and Mr. J. T. Thorson, a western Liberal who had in recent sessions advanced strong isolationist views.

An amendment was moved by two French-Canadian Liberals, but when it was put to the House it did not get sufficient support to justify a vote. The Address was thus unanimously adopted.

Colonel Ralston, K.C., whom Mr. Mackenzie King, with the general approbation of the country, had induced to return to public life and take the place of Mr. Dunning at the Ministry of Finance, had not had time to find a seat in Parliament and so it fell to Mr. Ilsley, the Minister of National Revenue, to introduce a special war budget which imposed a variety of new taxation. Parliament had previously passed a special war appropriation of \$100,000,000, and Mr. Ilsley explained that after allowances were made for an expansion of revenue and a decrease in the costs of farm and unemployment relief, there would probably

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be a deficit of \$156,000,000 at the close of the current fiscal year on March 31. So he announced that, while part of this sum would be met by borrowing, the Government felt it must meet part of the costs of the war by special taxation levied on the principles of equality of sacrifice and ability to pay. So he proposed a number of increases in taxation which he forecast would produce \$21,000,000 during the balance of this fiscal year and \$62,000,000 in a full normal year. The income tax for individuals was increased by a war surtax of 20 per cent. on the total income tax otherwise payable, and the scale of the corporation tax was raised from 15 per cent. to 18 per cent. and, in the case of consolidated returns, from 17 per cent. to 20 per cent. There was also imposed a new excess profits tax on the profits of all businesses whether incorporated or not, but two alternatives were given the payers of this levy. The first was a tax on all profits in excess of earnings of 5 per cent. on capital on the following graduated scale:

On profits in excess of	5%	but exceeding	10%	of capital:	10%
"	"	"	10%	"	15%
"	"	"	15%	"	20%
"	"	"	20%	"	25%
"	"	"	25%	of capital	60%

and the second was a levy at the rate of 50 per cent. on all profits in excess of the average profits for the last four years.

Substantial increases in the rates of taxation on tea, coffee, all kinds of liquor, tobacco and cigarettes, were also decreed, and a new tax on household electricity bills was imposed. Some adjustments were also made in the tariff and sales tax, but none of a serious nature. The Conservative and C.C.F. parties tempered their general approval of the budget with some mild criticisms about details, but the Social Crediters opposed it and moved an amendment urging the establishment of a committee to consider ways and means of conscripting wealth. This was, however, voted down by 190 to 8 and the budget thereafter was passed

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unanimously. The Government also had no difficulty in securing the endorsement of other measures, including a Bill authorising the creation of a Department of Munitions and Supply. But it has contented itself so far with establishing a Board of Munitions and Supply without Cabinet representation. Under the very competent chairmanship of Mr. Wallace Campbell of the Ford Motor Company of Canada, this Board is acting as agent for, and co-operating closely and harmoniously with, a British purchasing mission which is now installed in offices in the Parliament Buildings at Ottawa. After a session lasting six days Parliament was prorogued on September 12, and at the final sitting Mr. Mackenzie King announced that it would reassemble for its final regular session in January, and that the Government did not contemplate asking for an extension of its statutory term.

The King Ministry has maintained close consultation with the British Government about the policies which would make its co-operation most effective, and, as the result of the exchange of views, the Government was at the end of September able to satisfy a public demand, which was becoming very persistent in Ontario and other provinces, for an announcement of its war programme. The statement issued revealed that it proposed to despatch immediately to Britain as many trained aviators as could be spared, together with doctors, engineers, and other technicians who would be absorbed into British units for active service, and to proceed with the recruiting and organisation of a Canadian Active Service Force of two divisions, of which the first would be available as soon as possible for overseas service, and the second would be kept in reserve. The organisation of this force is now in progress, and the Minister of Defence was able to state on October 12 that Canada had about 60,000 troops under arms; some 40,000 men will be absorbed in the two divisions, and the balance will be kept on garrison duty for the coastal defences and other vulnerable points

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Meanwhile the industrial and other resources of Canada are being mobilised for the benefit of the Allied cause, and as time goes on the contribution that they will make will be increasingly effective. There is also general approval throughout Canada of the plan whereby Canada is to become the chief centre of training for the air forces of the whole Commonwealth,* and the King Ministry's cordial acquiescence in this scheme has served to convince many critics who were afraid that it was half-hearted in its direction of Canada's share in the war effort of the Commonwealth. It is now taking steps by refunding operations to make available credits in Canada for the purchase of primary products, manufactured commodities and munitions required by the Allies, and there is some evidence that the Bank of Canada is sponsoring the moderate and well-regulated expansion of the currency which Mr. Ilsley in his budget speech said might be desirable.

Soon after the session ended Mr. Mackenzie King undertook a modest reorganisation of his Cabinet to which he was impelled by a steady barrage of criticism, supported by influential Liberal papers like the *Winnipeg Free Press*, and directed against the administration of the Department of National Defence under Mr. Ian Mackenzie. Last year grave disquietude about some of its practices had been aroused by the revelations of a judicial enquiry into a notorious contract for Bren machine guns, and during the summer it was revived sharply by fresh disclosures about other war contracts which had an unpleasant odour of political patronage. Mr. Mackenzie King did not yield to the demand for Mr. Mackenzie's dismissal from office, but he moved him to the Department of Pensions and National Health and gave his department, which had assumed first-class importance, to Mr. Norman Rogers, his Minister of Labour and a former Rhodes Scholar, who served in the last war. This change necessitated a further shuffle of

* See p. 230 below.

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portfolios, and Major Power, vacating the Ministry of Pensions and National Health for Mr. Mackenzie, took over the office of Postmaster-General from Mr. McLarty who migrated to the Ministry of Labour. But Mr. Mackenzie King was unable to find a satisfactory French-Canadian successor for the late Secretary of State, Mr. Rinfret, who died suddenly last July. Mr. Raymond, who had the best claim for the post on his merits, had disqualified himself by his attitude towards the war, and the appointment was deferred pending the outcome of political developments in the province of Quebec.

II. THE QUEBEC ELECTION

THE King Ministry, on the strength of the comparatively feeble opposition shown to their war policy during the special session at Ottawa, had fondly cherished hopes that it would be spared the political trouble in Quebec which caused such embarrassment to the Borden Ministry during the last war, but it was speedily disillusioned when Mr. Maurice Duplessis, the Union Nationale Premier of Quebec, who had been at loggerheads with it about unemployment relief, took issue in a public speech with its constitutional right to impose certain war measures upon Quebec and announced that he would seek a mandate to resist them at a provincial election to be held on October 25. In this and later speeches he accused the King Government of seizing upon the war as an excuse for promoting a scheme of centralisation upon which it had set its heart, and, denouncing such measures as the ban decreed upon borrowing abroad and the censorship of the press and radio, he called upon the voters of Quebec to back him in a fight for sacred provincial rights which were being menaced as never before.

Faced with this challenge the King Ministry after exhaustive deliberations decided that it could not ignore it or remain indifferent to the result of the election in Quebec.

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So with the authority of his colleagues, Mr. Lapointe, the Minister of Justice, in his rôle as leader of the federal Liberal party in Quebec, announced that the King Ministry proposed to break a rule against intervention in provincial elections, faithfully observed by all recent Ministries at Ottawa, and exert all its influence and electioneering resources to compass the defeat of Mr. Duplessis and secure a vote of confidence from Quebec in the Liberal policy. Mr. Lapointe followed up this pronouncement by serving notice in a nation-wide broadcast that a refusal of the vote of confidence sought would be the signal for the immediate withdrawal of Senator Dandurand, Mr. Cardin, Major Power, and himself, the four representatives of Quebec, from the King Ministry.

It would be cowardice on my part (he said) to remain in the Cabinet in spite of Quebec's wishes. I repeat it. If the people of the province prove by their votes that they believe the atrocious calumnies and the shameful lies which are the basis of Mr. Duplessis' campaign, how could we be expected to continue to represent them and speak for them in the councils of the nation. Leave to my fellow-countrymen in Quebec the responsibility for this important decision and I will accept it.

At the same time he reiterated a pledge previously given that neither he nor any of his colleagues from Quebec would remain in any Ministry which tried to introduce military conscription.

Mr. Duplessis and his followers had already been raising this bogey, and in his opening speech in the campaign the former had declared that a vote for his party would be a vote not merely against centralisation and assimilation but against participation in the war and, above all, against conscription. But this declaration provoked a general protest from the press of English-speaking Canada, regardless of its party affiliations, drove the *Montreal Star*, a Conservative paper, to back the Liberal party, and caused one of Mr. Duplessis' Ministers, Mr. Layton, and a prominent supporter

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in the late legislature, Mr. W. S. Bulloch, to renounce all allegiance to him on the ground that he was a fomenter of national discord in critical times. In his later speeches, therefore, Mr. Duplessis intimated that he was still for Canadian participation in the war, provided the provincial rights of Quebec were not impaired. A colourful personality, he has acquired a strong personal following in Quebec, particularly in the rural areas, and he is a very ardent and energetic campaigner with a well organised political machine at his command. On the other hand, the Liberal organisation in Quebec has never recovered from the great débâcle of 1936 when the long Liberal régime of forty years ended in a welter of scandals, and Mr. Adelard Godbout, the provincial leader lacks the oratorical and other gifts which make votes in French Canada. So he needed all the help that the four Federal Ministers and their followers at Ottawa could give him. A somewhat imponderable factor was the decision of Mr. Paul Gouin and his Action Nationale Libérale party, which helped Mr. Duplessis to victory in 1936 but subsequently broke with him, to nominate candidates in more than half the constituencies. The National Liberals opposed Canadian participation in the war, but they condemned the Duplessis Ministry on other counts. Altogether it was a complicated situation, and the political experts predicted a close result.

That prediction was completely falsified when the poll was held on October 25. The Duplessis Ministry was decisively defeated by what amounted to a popular landslide in favour of the Liberal party. The Liberals, who at the dissolution had held only 14 out of 86 seats in the Legislature, made 54 gains and will therefore have a commanding majority in the new Legislature, including in all probability two independents, one of them Camillien Houde, the re-doubtable Mayor of Montreal. The Union Nationale party is left with only 16 seats, and, although Mr. Duplessis himself held his home town of Three Rivers quite comfortably,

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6 of his 9 Ministers were defeated. The intervention of the Action Libérale Nationale party was quite ineffectual: its candidates polled a negligible number of votes and its leader, Mr. Gouin, was badly beaten.

The result has given deep satisfaction in the English-speaking provinces of Canada, whose press, regardless of party affiliations, condemned Mr. Duplessis as a mischievous disturber of national harmony, and it has brought not merely relief but great jubilation to Ministerial circles at Ottawa. Mr. Mackenzie King, however, was wise in pronouncing the victory over Mr. Duplessis to be much more than a mere party triumph, for a substantial contribution to it was made by the two great Conservative papers of Quebec, the *Montreal Gazette* and the *Montreal Star*, which advised the English-speaking voters of Quebec to make sure of the defeat of the Union Nationale party by voting for Liberal candidates. The widespread acceptance of this advice enabled Liberal candidates to carry divisions of Montreal which are Conservative strongholds, and to secure all the 15 seats on the Island of Montreal save one. It was, Mr. Mackenzie King declared, a victory not so much for the Liberal party as for Canada and the Empire. It was also a great personal triumph for Mr. Lapointe who, taking his political life in his hands, had converted reluctant colleagues to the idea that the challenge of Mr. Duplessis could not be ignored, assumed the leadership of the Liberal campaign and made a series of speeches whose effectiveness has seldom been surpassed in the history of Canadian elections. It is believed that the Roman Catholic hierarchy of Quebec, while officially proclaiming its complete neutrality, used its influence with great effect in favour of the Liberal party. Another factor which undoubtedly affected the result was the appeal made by Mr. Lapointe and his colleagues to the feeling of loyalty to the Crown on the part of French-Canadians generally, a feeling which was so markedly intensified by the recent Royal visit.

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Unquestionably the result was a very happy outcome for both Quebec and the rest of Canada. It may not be too much to hope that it will prove the turning-point in Dominion-Provincial relations and the beginning of a new era, so long desired and so sorely needed, of loyal and fruitful co-operation. For the rest, and more immediately, it leaves the King Ministry, whose prestige is substantially increased, free to devote all its energies to the organisation of the country's contribution to the Allied cause.

Canada,

October 1939.

AUSTRALIA

I. AUSTRALIA AT WAR

THE news of the declaration of war on Germany by Great Britain was received in Australia on a Sunday evening with a calm which to some extent was the result of a feeling that the development was inevitable. During the previous ten days the public had been kept in a state of high tension as information concerning the dramatic moves in Europe came to hand. The culminating point appeared to bring a certain relief from the tension of the preceding days.

There is no doubt whatever that the principles on which the British and French Governments have taken action have been widely applauded by all sections of the community. Great disappointment was expressed in many quarters at the failure of the Anglo-Russian negotiations, and the signing of the Russian-German non-aggression pact was equally unwelcome. For some months the public had been, through the press and radio, led to expect the adherence of Russia at an early date to the Peace Front. The differences between Communism and Nazism had been so emphasised by many public commentators that many people tended to ignore some of the deeper reasons which, in the opinion of a few students and observers, might cause a Russian-German understanding at any moment. The agreement, however, had a bright side for many Australians as it was considered that Japan's projected military alliance with the Axis Powers was no longer practicable. Undoubtedly the possibility of this alliance had caused concern in Australia and the officially declared neutrality of the Japanese Government has relieved the Australian Government of some pressing anxieties.

AUSTRALIA AT WAR

The statement of the Prime Minister which was broadcast a few minutes after Mr. Chamberlain's announcement that Britain was at war with Germany at once made the position of the Commonwealth in the Empire unequivocal. "There was never any doubt where Britain stood," said Mr. Menzies, "and there can be no doubt that where Britain stands there stand the people of the entire British Empire . . . Britain is at war, therefore Australia is at war." Constitutional authorities in Australia have on the whole considered that when the King is at war all his dominions are at war. There was, therefore, no declaration of war by Australia on Germany.

The leader of the federal Opposition promised the Prime Minister that the Labour party could be relied on to do the right thing in the defence of Australia. The Premier of Queensland, Mr. Forgan Smith, in a statement in Brisbane appeared to go further on behalf of the Labour party in that state. He said "Everything that can be done to promote civilisation and peace has, in my opinion, been done. Principles and liberty mean more than phrases and we must be prepared to do everything possible that the institutions for which we stand may be maintained at all costs."

There was some talk of the possibility of forming a National Government: but the Labour party would not co-operate with the United Australia party for such a purpose. It took the view, which is fairly widely held here, that the real interests of a democracy can be most effectively safeguarded even in war time by the existence of a vigilant Opposition. The Country party has pledged its full support for all measures which it considers will help to prosecute the war in the most efficient and practical manner. Points of difference on other matters prevent at present the formation of a composite Government. Sir Earle Page, who has been leader of the federal parliamentary Country party for nearly twenty years, has resigned the position. This makes the personal antipathy between him and the Prime Minister a

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less important factor in the relations between the Government and the Country party. Mr. Archie Cameron of South Australia has been elected in his place. A War Cabinet consisting of six of the Ministers has been created. Its chief functions will be to ensure that major policy decisions of the Government are efficiently and speedily carried into effect.

The outbreak of war found the Commonwealth to a certain extent ready for the emergency. Preliminary steps were taken on August 25 to guard important strategic points, and a few days later certain restrictions on the transfer of money from Australia to overseas countries were announced. Precautionary measures were intensified two days before the outbreak of war, and when the fateful decision was taken little remained to be done to complete the emergency plans of the Government. There was commendable co-operation between State and Federal Governments, though defence is the sole responsibility of the latter.

At present the activities of the land defence forces are being concentrated on a programme of intensified training and expansion. The militia has been called up in two batches of 40,000 for a month's continuous training, shortly to be followed by a further three months. This is a welcome decision, for it must be admitted that on September 3 there were very few militia soldiers in the Commonwealth sufficiently trained to meet an enemy attack. The militia is liable for service only in Australia and its territories. But since war broke out there has been a considerable number of volunteers offering for either home or overseas service. Although up to the present the British Government apparently does not desire the dispatch of Dominion forces overseas to the theatre of war, the Commonwealth Government has already begun to raise a special force of 20,000 to be available for service in Australia or overseas as circumstances require. This will be known as the Sixth Division of the Second Australian Imperial Force and is enlisted for permanent service for the duration of the war.

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The title seems to have been chosen because there were five divisions in the A.I.F. in France during the Great War, and because the militia is organised on the basis of five divisions. The present force was spoken of by the public as the "new A.I.F." from the time its promotion was mooted. The force will be commanded by Major-General Sir Thomas Blamey. The personnel will be drawn principally from the militia. It is expected that their training will commence early in November. The Government has also offered to the British Government the personnel of six Royal Australian Air Force squadrons for service overseas. This contingent will consist of four bomber squadrons and two two-seater fighter squadrons, and they are expected, if circumstances permit, to leave Australia before the end of the year.* The total number of this force will be approximately 3,200 men. It has also been decided to raise two garrison battalions for permanent service chiefly from the ranks of the returned soldiers. These will be used to relieve militia units of guard duty at many points where permanent guards are necessary. The Prime Minister has undertaken that there will be no conscription for overseas service. But the Defence Act gives authority for the conscription of man-power for service within Australia and its territories.

The Government's defence programme has been accelerated since Parliament went into recess. Freed for a time from the worries of the parliamentary situation, the Ministry appears to have given the closest attention to the task of establishing the defences of the Commonwealth on a satisfactory basis. Much of the creative organisation of the programme has now been completed, and there remains the more difficult task of giving effect to the principles laid

* The decision to send this contingent to Europe was cancelled in view of the Empire scheme for air-training in Canada, the details of which are given on p. 230 below. Broadcasting on October 10, Mr. Menzies described the scheme as "the most spectacular and the most decisive joint effort of the British nations in this war". [Ed.]

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down by improved routine organisation. It is not possible for any person other than those chiefly responsible to judge of the degree of success which is attending these efforts. According to Ministerial statements progress in the manufacture of aircraft and munitions is satisfactory. But it should not be assumed that Ministers are unduly complacent about the position.

A large body of public opinion, both informed and uninformed, will not allow the Ministry to take defence preparations in a casual manner. Since the outbreak of war there has been considerable criticism of the Ministry principally because of its alleged inertia and the apparent delay in making some definite offer of help to Britain. Some of that criticism has been hardly fair and has been made without a full knowledge of the facts. But the pressure of public opinion on Government policy has been for the good of both the Ministry and the country. Although the Government has been pushing ahead with its plans, there are a number of competent observers who consider that the plans themselves are not ambitious enough to cope with the requirements of totalitarian warfare. It has been urged that the organisation of industry means all industry and not merely those sections of it which appear to have a direct and immediate connection with current defence plans. It is likely that more will be done in the future to organise industry so that all of its component parts will function in the most efficient manner in time of war. Something, of course, has already been done in this direction. The oil companies at the request of the Government have agreed to increase their already considerable fuel reserves and it is considered that, together with the expected volume of production of shale oil in the near future, the Commonwealth will have reserves to meet the present emergency without resort to rationing.

Plans have been completed for the organisation of the primary industries. The British Government has bought

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practically all the exportable surplus of Australia's primary products. Some of this will probably be re-sold to neutrals. Australian primary producers, with the exception of fruit growers, will not have to worry about markets for the duration of the war. Wool, wheat, sugar, flour and meat have all been purchased at prices that will give a fair return to the producer. In a sense the latter may be considered to be fortunate as the result of this development, and their part in the war effort to be rather inglorious. But it must be remembered that the extent of the Commonwealth's war effort will be finally determined by the strength of its economy and that this in return is based on the primary industries.

The National Register of wealth and man-power was taken before the war, but not without some trouble. The boycott which had been decided upon by the Australian Council of Trade Unions was eventually lifted as the result of certain assurances that were given to the Unions by the Prime Minister. The Labour party was anxious to avoid a clash with the Ministry on this issue and the Leader of the Opposition, Mr. Curtin, played a prominent part in the negotiations which led to the decision to lift the boycott.

Before the federal Parliament adjourned on September 21 it passed the National Security Act. This measure gives the Government complete power to deal with any matter which in any way affects Australia's war effort. This is legally justified because of the wide scope of the Commonwealth defence power notwithstanding normal constitutional limitations. There is a power of restricting freedom of speech which, however, can only be exercised by the Minister for Defence. Though most members disliked the Bill and there were various criticisms of some of its details, it was recognised as an essential part of the Australian war effort.

The Ministry had to face considerable criticism because of its decision, made shortly before the war began, not to proceed with the proposal to establish a permanent mobile

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force. Since the Lyons-Page Government had decided in March to create such a force, the decision of the Menzies Government was a reversal of one already taken. But this matter has become of little consequence, for it is now apparent that Australia is going to have a considerable force for the duration of the war.

II. WOOL AND WHEAT INDUSTRIES

THE position of the wool industry is likely to be improved by the purchase of the clip by the British Government. It was calculated by the Wool Committee of Inquiry which was appointed in 1931 to consider all aspects of the industry in the Commonwealth that the average cost of production was approximately 14*d.* per lb. Since the Committee completed its work costs fell below this figure for a few years, but during the last three years they have risen again and the cost of wool production based on the foregoing estimate, corrected for present-day conditions, is now approximately 13½*d.* per lb. This, of course, is an average result, and it is certain that many growers, in good seasons particularly, can produce on a much lower cost basis. Some authorities consider that an average price in Australian currency of 1*s.* per lb. would cover the costs of most wool producers and leave them a reasonable margin of profit.

Wool prices during the last ten years have fluctuated widely and the average price for the decade was 11½*d.* per lb. For the 1938-39 season the average was 10½*d.* In addition, during part of that season and for nearly the whole of the previous one, there was a severe drought in most wool-growing districts of the Commonwealth. Though stock losses were generally not heavy, except in the sense that lambing percentages were much below normal, the weight of wool cut per sheep showed a substantial reduction on that of the previous years. Thus growers during the last eighteen months have been faced with low prices and a

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reduced volume of production, a combination of adverse factors rarely experienced in the wool trade. At the same time, all costs of production both on and off the properties have increased. What the market price of wool would have been in 1939-40 if the war had not occurred is impossible to estimate.

The decision to sell the entire Australian clip to the British Government at an average price which, it is reported, will be 13½*d.* in Australian currency (10¾*d.* stg.) will relieve the immediate anxieties of wool growers. The immensity of this transaction and the organisation required to carry it into effect are not perhaps immediately apparent; for the difficulties of selling a wool clip on a flat rate are probably not appreciated by the ordinary citizen. Wool, unlike most primary products, has no full average quality value and it can only be priced in hundreds of types, which all have a distinct value according to their style, quality and clean-scoured yield. Thousands of technical decisions and calculations are necessary before even a day's wool offerings can be finally appraised and its value certified. The appraisal of the whole clip so as to procure a fixed average price is consequently a tremendous task which is not paralleled in the case of the sale of any other primary product.

The wheat growers have been in trouble since 1930, with the exception of three seasons when world prices were on a payable basis, and to-day the position of many of them is desperate. A Royal Commission some years ago enquired exhaustively into all phases of the industry. The Commission found that in 1934 there were 62,000 wheat growers in the Commonwealth, of whom 20,000 had less than 100 acres under crop or derived the greater part of their income from other forms of production. A statistical sample of 524 persons was, therefore, taken from 42,000 growers, and independent checks have established that the whole sample has given results which are of sufficient accuracy for practical purposes. The investigations related to the period 1928-29

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to 1933-34. The Commissioners found that on the basis of a price of 3*s.* 2½*d.* f.o.r. Australian ports, 60 per cent. of growers could not clear their expenses (current costs) and pay interest which was estimated at 9*d.* per bushel. Of this number 34 per cent. were shown to have current costs above the basic price and their position as regards production costs does not reveal any improvement on the estimates of them made by the Commission in 1934. The marketable crop, that is the total crop less 14,000,000 bushels of seed-wheat, has averaged 140,000,000 bushels per year for the last five years. Approximately 36,000,000 bushels are required for home consumption. The average price for the last six years was approximately 3*s.* 6*d.* f.o.r. Australian ports. The present price is about 2*s.* 7*d.* f.o.r. Australian ports.

Since 1932 sums totalling more than £20,000,000 have been distributed in relief of wheat growers by Commonwealth and State Governments; and they have also received many forms of indirect assistance, such as freight concessions and relief from primage taxation.

In order to provide moneys to meet this relief there has been for some years past an excise duty on flour. In August 1938 at a conference between the then Prime Minister, Mr. Lyons, and the Premiers of the several states, it was agreed that a new scheme should be put into operation and legislation for this purpose was passed in the Commonwealth and in each state before the end of the year. In substance the scheme was designed to secure for wheat growers a payable price for wheat. This was done by a complicated series of Commonwealth and State Acts. The Commonwealth, which has an exclusive power to levy excise duties, imposed a duty of excise on flour manufactured in Australia. The duty, which must not exceed £7. 10*s.* per ton of flour, is an amount variable by proclamations from time to time. It is calculated by reference to the export value of wheat, and is in substance the difference between the price of flour based on the actual price of wheat and what would be the

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price of flour if wheat were selling at 5*s.* 2*d.* per bushel at the ports.

The proceeds of this tax are then paid by the Commonwealth to the states to be paid by them partially as a bounty on wheat production, partially in relief of farmers who have suffered from drought conditions. The scheme also involves legislation which has been passed by the several states fixing the price at which flour and bread may be sold for home consumption. The constitutional validity of the flour tax was challenged. But a majority of the High Court held the tax valid, although it is understood that the question may be carried to the Privy Council.

But the continued fall in the price of wheat made this scheme inadequate and ineffective to stabilise wheat prices. The whole problem was considered at a special Premiers' Conference in August, when the Commonwealth put forward a long-term stabilisation scheme based on a minimum price of 3*s.* 4*d.* f.o.r. with a marketable crop of 140,000,000 bushels. The conference, however, did not come to an agreement; and at the time when war broke out Australia was faced with the unsolved problem of how to subsidise effectively an export surplus which has averaged during the last five years 105,000,000 bushels per year. With costs of production on a basis where 60 per cent. of the growers cannot clear expenses and pay interest at a price of 3*s.* 2½*d.* per bushel, the financial aspect assumed ominous proportions if growers were to be effectively assisted.

Since the war the wheat crop has been acquired on behalf of the British Government. This fact, aided by the purchase for Great Britain of considerable quantities of locally manufactured flour, have for the time being relieved wheat farmers of their more pressing difficulties. But the financial stability of the wheat industry will remain a serious problem for the Australian economy of the future.

Australia,

October 1939.

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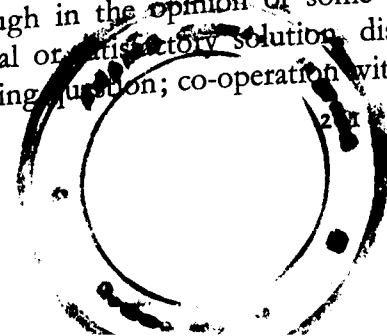
I. NEUTRALITY AND NATIONAL UNITY

BY a majority of thirteen votes in the House of Assembly the Union of South Africa on September 4 committed itself to participation in the war against Germany. The circumstances leading up to this decision are rooted in a tangled mass of past controversies; its results are unpredictable. For a number of years now "independent national status", freely conceded by Great Britain to all the Dominions, has been the rather dangerous plaything of South African politics: bandied about from one side of the House to another, popping up its head on public platforms with a fine disregard of the subject under discussion, it has been an unflinching means of rousing the flagging interest of the House or restoring animation to a flat political meeting. Of this independent national status the touchstone has been our right of neutrality. Ask a South African his views on the neutrality question, and his answer would enable you to gauge fairly accurately his political outlook as a whole. For it must be understood that South African politics are based less than in almost any other democratic country on social issues: Right and Left, Conservative and Progressive, are terms which mean little in South African politics and which are not applied, nor can be applied with accuracy, to any of our political parties. The major parties lay no claim to either description, and even the Labour party, always small and struggling, has represented rather the attempt of a white wage-earning aristocracy to keep its head above water than any policy which would be recognised in Europe as Progressive. The two most pressing social issues, the native and the poor white problems, are

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approached more on lines of race and colour than of class. In the Nationalist party a profoundly reactionary attitude on colour questions is joined with an almost revolutionary fervour against the "foreign" capitalist and the power of the mining interests; in the United party a normal conservative outlook in matters of class and property is linked with a more liberal outlook on native and coloured problems. It is the racial issue—the relations between the English-speaking and Afrikaans-speaking sections of the white community—that has been for the past quarter of a century and remains to-day the real basis of South Africa's political divisions.

The fusion movement of 1932-33, between the Nationalist followers of General Hertzog and General Smuts's South African party, resulted in the formation of the United party which governed the country under General Hertzog's leadership until the present crisis. Holding an overwhelming majority in Parliament, a majority little impaired in the general election of last year, this party may be accepted on the whole as representing a genuine desire among the more moderate men of both white races in the Union to bury past differences and controversies and to tackle the real problems of the nation on a national instead of a racial basis. As was natural, a central coalition of this kind could not meet the views of the extreme wings of either race: an Afrikaans minority with republican leanings held aloof under Dr. Malan as the Nationalist party, whilst on the other side a smaller English-speaking minority hived off into Colonel Stallard's Dominion party. For the United party, however, the omens were fair—a great majority and the prospect of a steady term of office. And indeed not a little was achieved. A sense of national stability was gained; national prosperity (for the whites at least) was maintained; the native legislation, though in the opinion of some it does not represent any final or satisfactory solution, disposed for a while of a burning question; co-operation with



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Great Britain remained friendly; and, most important of all perhaps, men of both races learned the possibility and the value of working together and of subordinating, if not shelving, racial sentiment. This is not to say that party unity was not at times strained. Cabinet unity itself was severely tried: over the Native Bills in particular the divergence between the liberal views of Mr. Hofmeyr and some of his English-speaking colleagues and those of the Prime Minister and Mr. Pirow was acute. General Smuts and General Hertzog were about as happy in harness together as a horse and a zebra, and as with increasing age the Prime Minister, who had had fifteen years in office, became more autocratic and touchy, the Deputy Prime Minister, much of an age with him but far younger in mind, had much to swallow in the interests of unity. The Teutonic affinities too of the Minister of Defence were the subject of a good deal of anxious comment amongst the public. Rifts and weaknesses there were in the fine façade of the United party, sufficient to cause much anxiety to those many who valued its existence and the ideal of racial co-operation for which it stood. Mr. Hofmeyr's resignation from the Cabinet last year was a case in point. But a cracked building may stand a long while with patient attention and, one question apart, the party's future seemed reasonably secure; for whatever the internal strain, it was the sincere desire of the Prime Minister no less than of General Smuts to achieve racial peace in the Union. Unfortunately for this ideal, it was our fate that the affairs of Europe should put this one crucial question, that of neutrality, to the test of an answer and throw the politics of the Union once more back into the melting-pot.

While there was no immediate possibility of war in Europe, neutrality was in South Africa an academic issue, fought and refought inside Parliament and outside with the keenest zest. A majority of South Africans agreed with the Prime Minister's thesis that our independent status con-

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ferred upon us the right to remain neutral in the event of Great Britain being involved in war. General Hertzog, Mr. Pirow and other Ministers frequently affirmed that having this right the Union Parliament would, when the occasion arose, decide the country's course of action in accordance with the dictates of South Africa's national interests. Two points in particular arose to confuse this fairly clear definition of views. In the first place the more extreme English section represented by the Dominion party, basing their claim on the indivisibility of the Crown, urged that the King could not be at war in Great Britain and at peace in South Africa and that a declaration of war by Great Britain automatically involved South Africa, an argument intended possibly as a legal smoke-screen for imperial devotion. The reply of the average United party member was to ask what in that case became of our national independence. In the second place Dr. Malan's Nationalists found it impossible to reconcile the Prime Minister's assurances with the existence of the Simonstown agreement of 1922, to whose maintenance the Government, through Mr. Pirow, whose maintenance the Government, through Mr. Pirow, whose maintenance the Government, through Mr. Pirow, firmly pledged itself. Since Simonstown is a British naval base and the Union is pledged to defend it against all comers, the Nationalists had some reason to ask what in effect our right of free choice amounted to. To this United party spokesmen would reply by asking where, without the support of what General Hertzog termed "our best friend", would our so-called independence be. Amid this barrage of question and answer, many South Africans felt that, since it takes two to make neutrality as well as to make war, our possibly neutral status might in the end depend less on our own declarations than on the view taken of them by those who were at war with Great Britain. All, however, except the Nationalists who saw in this issue the rock on which fusion might split, prayed with fervour if not with optimism that the matter might never be put to the test. With this bogey lurking in the background the Union Government

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came to the Czech crisis of September 1938. If war had then resulted, an inner Cabinet (consisting of Generals Hertzog and Smuts, Mr. Pirow and Mr. Havenga) were agreed upon the necessity for a declaration of neutrality: nor is that surprising. The subsequent rape of Czechoslovakia had not yet revealed beyond cavil the true nature of Nazi policy; there was a good deal of anxious criticism of British policy; the case for participation was not strong enough to carry a majority in Parliament. The Government lay low, said as little as possible, and hoped against hope that the crisis would pass without the necessity for a declaration. It did, and Munich, whatever might be thought of it, saved the Union Government from possible dissolution.

In the year that followed, the further performances of Nazism opened a good many eyes in South Africa, though not quite enough. The nature of Nazi policy as it revealed itself increased South Africa's anxiety in regard to South-West Africa and Tanganyika. The Union Government's unequivocal declaration against the surrender of South-West Africa was echoed in Mr. Pirow's personal statement that he was opposed to the return of either of these territories to Germany. The Union's defence policy, indeed, shaped itself on the strategic possibilities of a land war beyond the frontiers of South Africa, a conception brought to the fore earlier by the Italian occupation of Abyssinia. As the months went on there seemed at least less probability that the Union would remain neutral in the event of conflict; and South African preoccupation with external events reached a level previously unknown. And so with our policy still uncertain we approached the final crisis.

II. THE DECISION

AS this crisis gathered speed in the last weeks of August there was something of the same uncertainty and anxiety regarding the Government's intentions as was felt in

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England in the last days of July 1914 about the intentions of the British Government. While the days passed and the policy of Australia and New Zealand and the intentions of that supposedly doubtful factor, Canada, were made plain, Pretoria remained silent. Parliament was not sitting, the Prime Minister retired to his farm, and no Cabinet pronouncement was made. The only reasonable explanation is that it was hoped to the last that peace would be saved and with it the necessity for answering the critical question. It became essential, however, for Parliament to meet. The life of the Senate expired on Tuesday, September 5, and in the circumstances it was imperative that its life should be prolonged. Parliament therefore met in Cape Town on September 2, after General Hertzog had conferred with Dr. Malan with a view to securing an agreed passage for the Senate Bill—and, it is thought, an agreement on neutrality. It was not until Saturday and Sunday, September 2 and 3, after the passage of the Senate Bill had been secured, that the Prime Minister discussed with his colleagues his intentions regarding the war. He had till then firmly refused to discuss this great issue. On these days the Cabinet met at Groote Schuur, the Prime Minister's residence. It would be an exaggeration to say that General Hertzog invited discussion of the issue. A subsequent account of what happened was given by Colonel Deneys Reitz, then Minister of Lands. It is clear from his account that the Prime Minister presented the Cabinet with a predetermined ultimatum in favour of a policy of neutrality, with the words "This is what I have decided upon". The Cabinet was decisively and irreparably split. No argument could induce the Prime Minister to revise his intention or submit his proposals to the party caucus. The following day, the House of Assembly met to consider a motion by the Prime Minister which read as follows:

The existing relations between the Union of South Africa and the various belligerent countries will, in so far as the Union is

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concerned, persist unchanged and continue as if no war is being waged, upon the understanding, however, that the existing relationship and obligations between the Union and Great Britain, or any other member of the British Commonwealth of Nations, in so far as such relationships or obligations result from contractual obligations relating to the naval base at Simonstown or its membership in the League of Nations or in so far as such relationships or obligations would result implicitly from the association of the Union with other members of the British Commonwealth of Nations, shall continue unimpaired and shall be maintained by the Union.

No one shall be permitted to use Union territory for the purpose of doing anything which may in any way impair such relationships or obligations.

On the other side was the following amendment by General Smuts:

It is in the interests of the Union that its relations with the German Reich should be severed and that the Union should refuse to adopt an attitude of neutrality in this conflict.

The Union should carry out the obligations to which it has agreed (Simonstown and the rest) and continue its co-operation with its friends and associates in the British Commonwealth of Nations.

The Union should take all necessary measures for the defence of its territory and South African interests, and the Government should not send forces overseas as in the last war.

This House is profoundly convinced that the freedom and independence of the Union are at stake in this conflict, and that it is therefore in our true interests to oppose the use of arms as an instrument of national policy.

The Prime Minister's defence of his motion resolved itself into two main points. The first one can appreciate as reasonable, if possibly mistaken. He urged that to lead a divided people into a war which was not primarily their quarrel would undo all the efforts of the past for racial conciliation, would renew and increase the old bitterness, with results that would not be cured for fifty years. Participation was therefore contrary to the national interests and this was the time for the Union to exert its rights as an

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independent nation to judge where its interests lay and to follow them. This is a tenable view whose sincerity cannot be questioned: it is indeed the basis upon which Mr. De Valera has proclaimed the neutrality of Eire. Further, it is possible that if General Hertzog had confined himself to this line of argument he might have carried the day. But he is incalculable in debate, and with a perverse temerity he proceeded to his second main argument which amounted to little less than a defence of the German Chancellor. Starting with the "monster" of Versailles and comparing Herr Hitler's struggle for German liberty with his own struggle for South African liberty, he proceeded to deny emphatically that he saw any proof that Germany was out for world domination or that the proceedings in any way threatened the liberty or interests of the Union. In effect, the war was not our quarrel and, whilst prepared to fulfil all our formal obligations to the Commonwealth and the League, he would not be a party to leading his people into war where their clear interests were not involved. He ended with a warning that

the alternative (participation) will be the death, as far as South Africa is concerned, of the Commonwealth of Nations. It will be the end of South Africa's allegiance to the British Commonwealth of Nations.

An argument so staggering in its blindness to the true meaning of events in Europe rendered General Smuts's task somewhat easier. It is not necessary to detail his arguments: they followed the obvious line, that not Danzig nor Poland alone but the freedom and security of all nations were in question, especially those of a country like the Union, poor in defence, rich in resources. We were dealing with issues which not only to-day but to-morrow touched our most vital interests. To stand aloof from our friends to-day would, perhaps, be to find ourselves friendless to-morrow, with a victorious Germany on our frontiers. General Smuts's speech was not, however, the less cogent for following

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familiar lines. One of its most effective points was that in taking up the middle course which the Prime Minister proposed we should be adopting an attitude quite unknown in international law.

In war you are either a friend or an enemy, and the Prime Minister in the policy he has laid down wants to be a friend, but he wants to temper his friendship with acts which no hostile Power will ever recognise as legal or proper.

This is the heart of the matter: we could not, even if we would, remain on friendly terms with Germany whilst at the same time defending a British naval base against her, unless Germany for her own purposes chose to accept this anomalous position.

The debate continued throughout the day. Its tone was high and serious, and was notable for the absence of bitterness on either side. But it was plain that the House, no less than the Cabinet, was completely cleft and that it would be a close thing. About 9 o'clock in the evening the vote was taken. By 80 votes to 67 the Prime Minister's motion was rejected: by 80 votes to 67 General Smuts's amendment was adopted. The Union was committed to war; and as General Hertzog moved the adjournment of the House one wondered whether South Africa had embarked not upon one struggle but upon two.

Analysis of the voting is interesting. General Hertzog was supported by 4 United party Ministers, Mr. Havenga, Mr. Fagan, General Kemp and Mr. Pirow, 33 other United party members and the full strength of 29 Nationalists. In favour of General Smuts's amendment were 5 United party Ministers, Colonel Reitz, Colonel Collins, Mr. Stuttaford, Mr. Henderson and Mr. Lawrence, together with 60 United party members, 7 members of the Dominion party, 4 of the Labour party and the 3 Natives' representatives. Out of a total House of 152 there were 147 present and voting. Senator Clarkson, Minister of Posts and Telegraphs, another of General Smuts's supporters in the Cabinet, was

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not a member of the House. The same applies to Mr. Fourie, Minister of Commerce and Industries, who supported General Hertzog. For the future of the Union the ominous feature was that the one side was overwhelmingly Afrikaner, the other predominantly English-speaking.

The same evening General Hertzog visited the Governor-General and asked for a dissolution of Parliament and a general election. This request His Excellency refused—a very proper decision; for in such circumstances the holding of an election might well have entailed serious disorder. General Hertzog subsequently tendered his resignation and General Smuts was called upon to form a Cabinet. On September 6 a proclamation was issued severing the Union's relations with Germany. On the same day the composition of the new Cabinet was made known. The Prime Minister himself took over the departments of External Affairs and Defence, Mr. Hofmeyr those of Finance and Education, Mr. Lawrence that of the Interior; the remaining Ministers are Colonel Reitz (Native Affairs), Mr. Stuttaford (Commerce and Industries), Colonel Collins (Agriculture), Mr. Sturrock (Railways and Harbours), Mr. Clarkson (Posts and Telegraphs), Senator Conroy (Lands), Dr. Steyn (Justice), Colonel Stallard, the Dominion Party leader (Mines), Mr. Madeley, the Labour representative (Labour) and Major van der Byl (without Portfolio).

III. THE WAR AND THE POLITICAL OUTLOOK

TWO further questions remain to be answered. What part is the Union taking or likely to take in the war? What is the present political outlook in the country and what the omens for the future?

First, with regard to the Union's part in the war, it is clear from the terms of General Smuts's amendment that the Government will send no forces overseas. Under the Union Defence Act all men up to the age of 45 are liable

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for service in defence of the Union, and this duty is readily accepted. But public sentiment, particularly in the country districts, would not permit the despatch of troops overseas. A Government that attempted it might have to reckon with mutiny, and without its saving clause General Smuts's amendment would not have commanded a majority either in Parliament or in the country. The Union will defend its own frontiers and those of South-West Africa, will defend Simonstown, and would probably co-operate in the defence of the Rhodesias and possibly of Tanganyika. For these purposes the Government has its conscription powers ready to hand; but they have not yet been used. The Government is moving slowly and watching developments abroad and at home. Air-training, however, is being intensified and accelerated, Permanent Force and Active Citizen Force units are being brought up to full strength, fresh units are being formed by voluntary enlistment, and coastal defences are being strengthened. Apart from this, of course, there is no lack of volunteer effort and organisation by both men and women in many directions, and a number of individual volunteers have already gone overseas to offer their services in Great Britain. A proclamation has been issued, however, which forbids male Union nationals of military age to leave the country without special permission and which extends the prohibition to women-doctors, nurses and medical students. In view of the fact that at present there is no shortage of man-power in Great Britain and that the future impact of the war upon the African continent is so uncertain, the appeal is a reasonable one: developments within the Union, on its frontiers, or beyond might well demand some day the services of every available citizen. For the moment, as a practical token of assistance, a movement has been launched to raise £1,000,000 for the supply of foodstuffs to Great Britain. In general, it seems that South Africa's function in the war will be to play its part in the defence of the Commonwealth by ensuring to the best of its ability the

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security of southern Africa—and with it Great Britain's key to the East. For a total population of 2 million whites that may be considered an adequate undertaking.

The present political position in the Union and the prospects of the future are no easy matters to define. There is no doubt that the country is badly split, and split on the old racial lines. The Opposition, drawing comfort from defeat, acclaim the reunion of Afrikanerdom, and welcome it as a great stride forward to the inevitable republic. General Smuts commands in the House of Assembly a majority of about 17, including certain members who were absent from the fateful debate; but it would be rash to assume that he commands a majority in the country or that a general election would have returned him to power. If an election were held to-day, or a referendum, it is more than probable that, in the former at least, a majority would endorse the policy of the late Prime Minister. This past month has seen a spate of political meetings throughout the country which, according to their lights and their locality, have passed unanimous votes of confidence in one General or the other. These, however, give little basis for a verdict, nor yet do the votes of United party committees, which in themselves are split in varying degrees. Briefly, it may be said, as might be expected, that General Smuts commands the support of the big cities, a large part of the Rand, Natal, the Eastern Cape and the Cape Peninsula: General Hertzog's support comes from such places as Pretoria, Bloemfontein, the country towns and the rural areas of the Central and North Western Cape, the Free State and the Transvaal. In view of the heavy over-representation on a population basis of the country areas (some urban constituencies contain nearly twice the number of voters compared with some rural areas), an election would probably return General Hertzog with, anyhow, a 5 to 4 majority. For the same reason, however, a referendum might go the other way. As things are at the moment, the Government has a majority

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of 17 in a House that has more than three years to run: it represents the true interests of the country, though not with any certainty the wishes of a majority of its citizens. It is asserted, with some probability, that in the debate of September 4 General Hertzog would have secured the majority he confidently anticipated, had it not been for his defence of Herr Hitler. That blunder is thought to have cost him some valuable votes. If we look then at things on their darker side, it must be admitted that the Union is at war by a narrow margin and that in the circumstances General Smuts's Government, though moderately secure in Parliament, will need to handle the country with a degree of tact and caution which in Great Britain and elsewhere overseas may convey a sense of slowness and half-heartedness.

There are, however, brighter factors in the situation. The position outlined above, though not altogether satisfactory to those who believe in the Commonwealth and its cause, is better than some had feared in those last anxious days of August. South-West Africa is quiet and a resort to civil violence in the Union, which had been regarded as a distinct possibility, has not developed in this first tense month and seems unlikely to develop as far as the future can be seen. Ex-Ministers have vigorously enjoined upon their supporters the need for restraint and tolerance; General Hertzog and Mr. Pirow in particular have urged the necessity for strictly constitutional action in furthering their policy and achieving the aims of the Opposition; Mr. Pirow has given a plain reminder to members of the Defence Force that their duty is to obey the Government in the execution of all lawful orders; though it must be said that there is an anticipatory accusation contained in the word "lawful". As a sop no doubt to English-speaking sentiment the late Minister of Defence has even expressed the view that Great Britain has been "100 per cent. right" in her course of action and has acknowledged the consideration which Great Britain has in the past extended to the Union. In taking this line

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the Opposition leaders no doubt intend to strengthen their moral position against the day when a general election puts the electorate to its decision: as to the Government, since it was Parliament's right to decide and Parliament has decided on war, it is for General Smuts and his colleagues to prove to the country that this decision was in its true interests. Furthermore the racial blocs are not altogether watertight. True, the Opposition ranks are almost solidly Afrikaner; but there is a minority of Afrikaners to whom the national interests still reveal themselves as bound up with those of the Commonwealth. There are six Afrikaner members of the Cabinet, three of whom are veterans of the Boer War and two are sons of former Presidents of the Free State. Account must also be taken of the remarkable personal loyalty which General Hertzog possesses among his supporters, a loyalty sufficient to lead some against their better judgment. It is not impossible to suppose that in the event of General Hertzog's retirement from public life some at least of those who are now in Opposition might renew their old allegiance. Such speculations, however, lead us too far from the present into the future. This future is for the moment too incalculable for speculation to be profitable. All that can be said is that much must depend upon the development of the war itself. A long period of indecisive or unsuccessful warfare for the Allies or a series of successful enemy raids upon our coasts would give no little reinforcement to the views of those who have held that it was not the Union's interest to tie herself to either side and who have belittled or denied the insurance value of the British Navy. On the other hand, some signs of Allied progress, effective protection by the British Navy, improved prices for primary producers, further manifestations, as in Poland, of Nazi ruthlessness, or of the nature of Nazi policy and promises—such factors may win over waverers to believe after all that General Smuts's view of our interests was the right one. That may seem, perhaps,

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a somewhat mercenary view in relation to a life-and-death struggle for liberty and decency: but in a country so profoundly and sincerely divided as the Union is to-day on the greatest issue in its history it may be those lesser considerations, operating on wavering minds, that will tip the scales and decide the ultimate success of one or other of the two political faiths which to-day struggle for the allegiance of the South African nation.

Union of South Africa,
October 1939.

NEW ZEALAND

I. NEW ZEALAND AT WAR

THE announcement shortly before midnight (N.Z.T.) on Sunday, September 3, that a state of war existed between Great Britain and Germany dissipated a widely held view that some eleventh-hour intervention would avert the dreaded cataclysm. This view was based solely on the belief that no Government would press its claims to the extent of plunging the world into war.

The issues involved were, throughout the period of the crisis, clearly and fully placed before the people of New Zealand by the press, and numerous articles by recognised overseas authorities were published. This was in marked contrast with the position at the time of the 1938 crisis.

The announcement of the outbreak of war was accepted by all sections with fatalistic fortitude. How different from August 1914! Then the people were on fire with martial enthusiasm; they sang patriotic songs, marched the streets and cheered; the spirit of adventure was afoot. On the night of September 3, 1939, there was none of this exhilaration. It was understood that the task Great Britain had undertaken was a grim business, and that the whole of the human and material resources of the Dominion would be placed at her disposal, to be used to assist in crushing the international terrorism of the Hitler *régime*. Thus no dissenting voice was raised against the message sent to the Secretary of State for Dominion Affairs by the Governor-General in which he said that the Government

entirely concur with the action taken, which they regard as inevitably forced upon the British Commonwealth if the cause of justice, freedom, and democracy is to endure in this world. The

NEW ZEALAND

New Zealand Government wish to offer to the British Government the fullest assurance of all possible support. They are convinced that the step that has been taken will meet with the approval of the people of this Dominion, and they will give the fullest consideration in due course to any suggestion of the British Government as to the method or methods by which this Dominion can best assist the common cause.

Nobody is under any illusion as to the consequences of the action that has been taken, but now that the Nazi challenge has been accepted, there is a feeling of relief and thankfulness that the British Commonwealth has been spared a second Munich.

Parliament met on Tuesday, September 5, and a motion approving and confirming the declaration of a state of war between New Zealand and Germany was passed without further comment than the acting Prime Minister's explanatory statement. The members of the House rose immediately, sang the National Anthem, and gave three cheers. The Leader of the Opposition then promised the co-operation of his party in any legislative action necessary to enable the Government to meet the situation. This promise was carried out some days later when the Emergency Regulations Act, giving the Government full power to legislate by Order in Council, was passed without opposition.

Complete organisation for national safety was put into operation with smooth efficiency within a few hours of the formal declaration of war. Coastal defences were manned within six hours; the navy and air force were at action stations, and every step had been taken to conserve national resources. These measures had to be enforced with the authority of over thirty regulations most of which had been prepared beforehand and became operative at once. Not only was New Zealand ready to go to war, but she was in a position to defend herself at that moment.

The position has not yet developed sufficiently to enable the Government to announce the exact part the Dominion

NEW ZEALAND AT WAR

will take in the conflict, apart from home defence. On September 9, however, it decided to raise a special force of 6,600 officers and other ranks for service within or beyond New Zealand. Enlistment commenced on September 12, and on that day more than the required number volunteered. During the Great War, New Zealand mobilised for active service at home and abroad a grand total of 124,000, of whom nearly 92,000 were volunteers. The total called up for overseas service was 117,175, and of this number actually 100,400 went overseas; that is to say, approximately 11 per cent. of the total population was mobilised and 11 per cent. went overseas.* The response to the first call for volunteers for service in the special force now being raised for service in or beyond New Zealand has resulted in 13,078 enlistments up to September 23. Of this total, 10,015 have been medically examined and 1,289 rejected as permanently unfit. The Government has also decided to train and despatch to England 1,300 air force pilots annually.

On September 15 the acting Prime Minister made an important statement in the House of Representatives in reference to the Dominion's position. He said that the whole of the man-power and resources of the Dominion must be organised for the protection of the country and in support of Britain, because New Zealand was indissolubly bound up with the other units of the Commonwealth and all units of the Empire must stand or fall together.

I wish to inform the House and the country (he added) that His Majesty's Government in New Zealand have, since the outbreak of war, been in consultation with His Majesty's Government in the United Kingdom as to the means and methods by which this Dominion can best assist in the common cause. At our request, we have received from the British Government a detailed and most helpful appreciation of the position indicating the measures which in their opinion it would be most appropriate for this

* See THE ROUND TABLE, No. 112, September 1938, p. 866, as to constitution of the New Zealand Expeditionary Force, 1914-18.

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Dominion to take for this purpose. I wish to state as explicitly as possible that every single suggestion that has been made by the British Government has been accepted and agreed to by the New Zealand Government, and is being put into operation as rapidly as possible. Indeed, many of them had already been anticipated and put in hand before the receipt of the British Government's suggestions.

II. THE LABOUR GOVERNMENT

"**W**HITHER 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?" The question was asked in the opening paragraph of the article in *THE ROUND TABLE* in June 1937.* At the outbreak of the Nazi war the majority of the people, presumably, were confident that the direction was towards the earthly paradise, but there were signs that the country was moving towards the precipice in spite of the strenuous efforts of the Government to stop the drift. Whatever be the true position, it is clear that the resources of the Dominion would have been strained to the utmost to maintain financial stability, and that far-reaching adjustments to commercial, industrial and social activities must have been made. The position of sterling funds in London had not improved to any appreciable extent since the import restrictions were first imposed on December 7, 1938. Indeed, the value of imports for six months ending June 30, 1939 was £28,186,730, being £1,077,418 greater than the corresponding period of the previous year.† The seriousness of the sterling fund position will be accentuated by the

* No. 107, p. 679.

† The Reserve Bank's sterling funds increased from £4,200,856 to £5,311,680 between December 7, 1938, and September 25, 1939. Those of the six trading banks decreased from £6,053,000 to £5,840,125 between December 1, 1938, and September 1, 1939.

THE LABOUR GOVERNMENT

additional overseas payments the Dominion undertook to make for defence purposes and for carrying out the agreement for repaying the £17,000,000 (1940) loan and the export credits granted by the United Kingdom Government.* In other words, further and more drastic restriction of imported capital and consumer goods would have been inevitable, and the people would have had to do without a number of things which hitherto had been imported. The Government, however, urged local manufacturers to increase and extend their output to make up the shortage as far as possible. Whether industry could have been organised and expanded to meet any substantial portion of the contemplated shortage within a reasonable time or indeed at all is a matter of conjecture.

To all outward appearances, however, the country was still in a prosperous condition at the outbreak of war, and there was little, if any, expectation in the mind of the average man that any change was likely. The continued denunciations of the Government's financial, public works, social and industrial betterment policies by the press, responsible industrial, commercial, and financial heads and the Opposition, had failed to change public opinion to any marked extent, and it might be taken for granted that the Labour party was safely entrenched until its policy had been proved wrong by practical demonstration.

The scene has changed since September 3. Political controversies have been laid aside. The attitude of the Government and the utterances of its Ministers regarding the war have met with the approval of all sections of the community. There is complete confidence that the Government will leave no stone unturned to enable the Dominion effectively and fully to assist in the conflict in which the Empire is engaged. Sacrifices by all are inevitable, but there is no indication that they will not be readily made.

* See p. 226 below.

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III. PARLIAMENT

THE Government prepared a small legislative programme for the first session of the new Parliament. Indeed, the majority of the Bills are of a domestic or technical character. The session has not, however, been devoid of interest. The Opposition heavily attacked the Government during the Address in Reply debate on questions relating to finance and universal military training.

The fourth budget* of the Labour Government was presented on August 2 by the Prime Minister in the absence of the Minister of Finance and may be summarised thus:

		Revenue	
		1938-39 (actually received).	1939-40 (estimated).
		£	£
Taxation . . .		32,305,772	32,320,000
Interest . . .		2,127,445	2,780,000
Other receipts . .		2,148,827	3,160,000
		<u>£36,582,044</u>	<u>£38,260,000</u>
		Expenditure	
		1938-39 (actually expended).	1939-40 (estimated).
		£	£
Permanent appropriations:			
Debt services . . .		9,310,944	10,022,000
Exchange . . .		1,422,084	1,500,000
Highways . . .		3,055,094	3,233,000
Other services . .		374,579	376,000
		<u>14,162,701</u>	<u>15,131,000</u>
Annual appropriations:			
Social services . .		12,945,563†	10,613,000
Other services . .		8,664,414	12,299,000
		<u>21,609,977</u>	<u>22,912,000</u>
Supplementary estimates and contingencies . .			200,000
		<u>£35,772,678</u>	<u>£38,243,000</u>

* See THE ROUND TABLE, No. 113, December 1938, p. 185, for previous year's budget.

† Includes old age pensions, &c., which since April 1, 1939, have been paid out of the Social Security Fund.

PARLIAMENT

The estimated expenditure for the year exceeds last year's expenditure by £2,470,000, and is partly exclusive of the moneys to be paid out of the Social Security Fund, which is an "extra-budgetary pool" created by the special tax of 1s. in the pound on all wages and income, the levy of £1 and 5s. a year on all males and females respectively over the age of 16 years, and a contribution from the consolidated fund. The contribution for the current year is a vote of £2,000,000 and the transfer of last year's surplus in the national accounts, namely, £809,000. The tax and levy will yield approximately £7,500,000, thus making the estimated national expenditure (apart from the expenditure of loan money) for the year, £46,552,000.

The revenue on the basis of the previous year's rate of taxation was estimated to decrease by £822,000. The Government was therefore faced with the necessity of increasing the rates of taxation to yield an extra sum of £2,483,000, made up as follows:

	£
Increased expenditure . .	2,470,000
Decreased revenue . .	<u>822,000</u>
	<u>£3,292,000</u>
Less last year's surplus . .	<u>809,000</u>
	<u>£2,483,000</u>

The extra revenue is to come from
(a) Higher rate of tax on personal incomes. The general exemption has been reduced from £210 to £200. The basic rate has been increased by four pence making it 2s. in the £; the gradation of one-hundredth of a penny for every £ of taxable income has been continued up to a maximum of 8s. 7d. in the £. Previously the gradation was 1/150th of a penny on every £ of taxable income in excess of £5,500 up to a maximum of 8s. 7d. in the £. The maximum rate will now be reached at £7,900.

(b) Higher rate of tax on incomes of companies. The

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basic rate has been increased from 1s. to 2s. in the £. The gradation has been fixed at 1/125th of a penny in the £ up to a maximum of 7s. 11d. in the £ (reached at £8,875), in lieu of 1/100th of a penny up to £5,500, and 1/150th of a penny thereafter up to a maximum of 7s. 6d. in the £.

(c) Higher rate of beer duty. This has been increased from 1s. 3d. to 1s. 9d. a gallon.

(d) Higher rate of petrol tax. This has been increased from 10d. to 1s. 2d. a gallon.

(e) Higher rate of death duty. The scale for estate, succession and gift duty has been increased by approximately 20 per cent. The exemption of £1,000 for moneys payable to an estate in respect of the deceased's life insurance policies has been taken away. The exemptions in favour of the widow of a deceased have been reduced to a small extent.

These measures are estimated to yield £2,500,000 (thus producing a budgetary surplus of £17,000), made up as follows:

	£
Income tax increases . . .	1,000,000
Beer duty increase . . .	300,000
Petrol tax increase . . .	1,000,000
Death duty increase . . .	200,000
	<u>£2,500,000</u>

Once again the budget made provision for a record expenditure on public works. The Government's policy in regard to public works was formulated by the Minister of Finance when introducing the 1938 budget, thus:

The present Government does not subscribe to the view that public works should be regarded as a palliative to be undertaken only when private enterprise fails to provide the necessary facilities or to offer the required employment. The present Government's policy is to promote or expand public works on their individual merits as projects of public development.*

* See THE ROUND TABLE, No. 113, December 1938, p. 186.

PARLIAMENT

The Prime Minister, in introducing the 1939 budget, said:

To carry toward completion the large public works already in hand, the public works programme for the current year, apart from defence works, is approximately of the same magnitude as last year. It may be said that we have reached the peak so far as public works are concerned, and our job is to concentrate on tapering down to a more economic level by transfer of men to primary and secondary industries.

He also stated that the policy of expanding public works expenditure was never more than a temporary expedient to reduce unemployment, raise purchasing power, and stimulate industry, and that it had been realised all along that the only permanent solution of the unemployment problem is for the men to find work in productive industry.

The estimated expenditure for the current year is £23,917,000 (including £2,200,000 for defence capital expenditure). This is £4,494,479 in excess of the amount actually expended, and £3,197,300 estimated for the previous year. The money required to carry out the programme will be provided by loan money, £19,062,000, and by revenue derived from taxation, disposal of produce from state land, sales of electricity, and miscellaneous sources, £4,855,000. Approximately half the loan money is already available from the proceeds of the internal loan of £4,500,000, raised earlier in the year, and the £5,000,000 provided by the United Kingdom Government in accordance with the arrangement made with the Minister of Finance.

The budget disclosed that during the previous year the public debt increased by £13,768,930, and on March 31, 1939, stood at £303,970,272, domiciled as follows:

	£
London	156,853,016
Australia	879,600
New Zealand	146,237,656
	<u>£303,970,272</u>

No budget which increases the rate of taxation is likely to

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be received with enthusiasm. In spite, however, of the spate of criticism by the press, the general view was that apart from the provision for heavy borrowing, the budget might be accepted as grim but sound.

The Government, no doubt, would like to extend the time in which many of the large public works in course of construction should be completed and so cut down the annual expenditure. It has been unable to do so because of the fear of unemployment. The Prime Minister stated when introducing the budget that "for the past year unemployment has been virtually eliminated". In 1935, state employees, excluding school teachers and members of the police and defence forces, numbered 45,313; in 1939, 77,939, an increase of 32,626. The number of workers, other than clerical staff, engaged on public works was 8,725 in 1935, and 21,656 in 1939, an increase of 12,928. Any serious diminution of the public works would have resulted, not only in the dismissal of large numbers of workers but of clerical members of the public service as well.

IV. WAR FINANCE

THE Minister of Finance informed Parliament on September 15 that the outbreak of war would necessitate serious alterations to the budget estimates, first, by decreases in receipts from petrol and sales tax, customs duties and other items of revenue; secondly, by increases in expenditure for war purposes. He announced that the Government had decided to establish a "war expenses account" and to service it as far as possible from revenue, which meant additional taxation. "All must share in the war effort," he said, "some by personal service in the armed forces and the remainder by paying the maintenance of those forces."

In introducing the Government's war finance measures on September 26 the Minister estimated that war expendi-

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ture in New Zealand, for the year ending March 31, 1940, would be £9,750,000, made up as follows:

Army	5,000,000
Air Force	3,500,000
Navy	1,250,000

Of this amount, £3,200,000 has already been provided for in the ordinary budget under the "defence" vote; £2,408,000 is to be obtained by additional taxation, and the balance, £4,142,000, from the proceeds of loans to be raised. The extra taxation is to come from the following sources:

Income tax: a general increase of 15 per cent. on existing rates.
Death duties: a general increase of 33½ per cent. on existing rates.

Beer duty: an increase of 3d. a gallon.

Wine and spirit duty: an increase of 15 per cent. on present duty.

Tobacco duty: an increase of 25 per cent. on present duty.

Gold duty: a special tax of 75 per cent. of the difference between the price of gold on August 24, 1939, and its actual selling price is to be levied.

Postal rates: a surcharge of 1d. is to be imposed on all letters; several other rates have been increased.

The following table sets out the estimated returns from the additional taxes for the remainder of the financial year:

	£
Income tax	1,440,000
Death duties	175,000
Beer duty	100,000
Wine and spirit duty	60,000
Tobacco duty	273,000
Gold duty	110,000
Postal rates	250,000
	<u>£2,408,000</u>

Although £4,142,000 is the estimated amount of the loan moneys required for the present year, the Government has

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taken authority to borrow £10,000,000. Provision for the larger sum has been made to enable the money required for the upkeep of the proposed expeditionary force after it has left New Zealand, to be borrowed from the United Kingdom Government. Referring to the loan money to be raised in the Dominion, the Minister said,

It is proposed to see if some can be raised by loan, and in addition, where it was necessary, all the money required for war purposes would be obtained from the Reserve Bank. There would be an amendment to the Reserve Bank Act later on to enable that to be done, as the Dominion could not afford to be short of money at any time during the war. Normally, we can only borrow what has been saved, but we cannot afford not to go on with the war because the necessary money has not been saved. We have to provide credit and use all our available resources to that end. . . . I think it may cost us £20,000,000 or £30,000,000 next year if the present circumstances continue. I am sorry we have to talk of long periods, but whatever it costs, we have to find it, and go right through with it to the end.

The Opposition criticised the proposals on the ground that the Government seemed unwilling to face up to the responsibility of cutting down any part of its peace time expenditure on public works. The Minister replied that the Government would, wherever possible, transfer state employees from non-essential work to the primary and secondary industries, and that all savings on estimated expenditure would be transferred to the war expenses account. He made no provision for possible decreases in estimated revenue to which he referred on September 15 but on September 28 he stated that, as the extra tax of 4d. on petrol had been imposed for defence expenditure, the yield of it would be paid into the war expenses account.

V. MR. NASH'S MISSION

THE Minister of Finance (Mr. Nash), during his recent visit to London, arranged that the £17,000,000 which falls due on January 1, 1940, would be reduced to £16,000,000,

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on due date, and the balance repaid in half-yearly sums amounting to £2,000,000 in 1940-41 and £3,500,000 in each of the four succeeding years, less any amounts the bond-holders elect to convert. He also arranged a loan of £5,000,000 from the United Kingdom Government for defence and other public purposes; also an export credit of £4,000,000.

Although expressions of gratitude for the assistance given by the United Kingdom Government have been made in many quarters, serious doubts have been raised as to whether the temporary relief afforded will enable New Zealand to weather the financial storm into which she has sailed.

It is generally recognised that unless there is a sharp rise in the price of primary products, New Zealand will have to make a stern effort of national self-denial in order to meet the capital repayments and also find the £12,000,000 annually required to pay overseas interest, freights and other obligations. Commenting on this the *New Zealand Herald* stated:

If New Zealand is to keep the bargain made by Mr. Nash—and there can be no question about that—she will have to accustom herself to a much stricter régime. She has to find the difference between the excess of £1,351,000 earned in the last twelve months and the £16,000,000 that will be required annually in the next five years. The task is difficult, but not impossible. It means self denial and harder work. If New Zealand still possesses some of the self-reliant pioneer spirit, if she takes a true pride in her good name, if she is really intent to build a nation, then she will face the consequences of her own improvidence and be the richer in equity, in experience, and in national morale at the end of it. The immediate business, however, entails thinking out the ways and means of meeting commitments in a practical way.

A sensation was caused during the budget debate by Mr. J. A. Lee, who is regarded as the leader of the Left wing of the parliamentary Labour party.* In effect, he pointed out that it would be impossible for the Dominion to repay

* See THE ROUND TABLE, No. 116, September 1939, p. 873.

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future overseas loans if similar terms were imposed, and suggested that the whole overseas indebtedness be funded at a low rate of interest, and repaid by annual instalments over a long period of years. He went further. He attacked the loan system in principle and embarked on an extravagant denunciation of money-lending institutions in general and the Governor of the Bank of England in particular. Mr. Lee's statement that, if it came to a choice between the people of New Zealand going without the necessities of life and meeting our overseas commitments, he would provide for our own people first was seized upon by the Opposition as a declaration in favour of repudiation. Mr. G. W. Forbes thereupon interposed with a motion calling upon the Government to dissociate itself from Mr. Lee's speech and its implications. The acting Prime Minister quickly reasserted the Government's determination to meet each and every obligation of the Dominion, and denounced the Opposition for drawing an unjustified inference from Mr. Lee's speech. This unequivocal assertion of the Government's policy was accepted by the Opposition and the motion was withdrawn. It was apparent, however, that a number of Government members were far from satisfied with the arrangements made by Mr. Nash, and further developments were expected after his return to New Zealand. Mr. Nash returned on the day following the declaration of war, and the consequent change in the situation has postponed or rendered unlikely any such developments.

VI. THE PRIME MINISTER

MR. SAVAGE underwent a serious operation on August 4. Although he is now convalescent, it is not known when he will be able to resume his duties. Sympathy for him and hopes for a speedy recovery were expressed throughout the Dominion. Probably no Prime Minister of New Zealand has enjoyed the respect and affec-

THE PRIME MINISTER

tion, not only of the followers and supporters of his party, but of the people as a whole, to a greater extent than Mr. Savage. His inherent honesty, devotion to duty and humanitarian ideals compel admiration even by those who are bitterly opposed to his policy. The way he accomplished the arduous task of delivering the budget on the evening before he had to enter hospital, and the telling appeal to the people to stand shoulder to shoulder with Great Britain which he broadcast on September 6, will long be remembered.

New Zealand,
October 1939.

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1. The Empire Air Training Scheme.

Sir Kingsley Wood, Secretary of State for Air, described the scheme in the House of Commons on October 10, as follows:

The Dominions have already signified their intention of making a great and powerful contribution to the common cause in relation to air defence. In the last Great War the Dominions gave us large numbers of skilful and courageous pilots and crews. Again to-day in the air the whole strength of the Empire is being marshalled, and there is no doubt that the great Dominion effort of 25 years ago will be largely exceeded in the present conflict.

In this connection, I am glad to be able to announce a development of great importance which I can confidently say is destined to make a most effective contribution to the successful prosecution of the war.

His Majesty's Government in the United Kingdom put forward last month for the consideration of His Majesty's Governments in Canada, the Commonwealth of Australia and New Zealand an outline of arrangements for the rapid expansion on a co-operative basis of the training organisation for pilots, observers and air gunners required, first, for the considerable enlargement, and then for the maintenance on the enlarged basis, of the Air Forces of the respective countries, this to be combined with an expansion of the production of aircraft in the Dominions concerned.

The Dominion Governments concerned have signified their ready agreement in principle to these arrangements, and as a result they and we have ensured that the many facilities and great natural advantages for the training of pilots and other personnel and the production of aircraft which the Dominions offer, in areas comparatively free from the risk of enemy interference will be utilized to the fullest extent and to the best advantage.

Training schools will be established and maintained in each of these Dominions. The more comprehensive and technical facilities required for advanced training, apart from those available and to be made available here, will in the main be concentrated in Canada. Personnel from the elementary training schools in

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Australia and New Zealand, as well as a substantial proportion of the young men passing-out of similar establishments in this country, will proceed to Canada to receive there, with similar personnel from Canadian schools, the advanced training which will fit them for service in the line. The young men so trained will join either Air Force squadrons maintained by the respective Dominion Governments in the theatre of operations or our own Royal Air Force units; while those from this country who get their final training in Canada will, of course, come back to join the Royal Air Force squadrons in the field.

The undertaking is one of great magnitude. Its development will result in a very great and rapid increase in the number of training schools, already large, and achieve an increased output of first-line pilots, observers and air gunners which, combined with our home effort, will ensure that the greatly increased requirements in trained personnel are fully met. The aim, in short, is to achieve by co-operative effort Air Forces of overwhelming strength.

2. Speech by the Marquess of Lothian at the Pilgrims' Dinner in New York on October 25, 1939.

I FEEL the welcome that you have given me to-night is also a testimony to the remarkable men who preceded me in my present office—Lord Bryce, the writer of what I suppose is still the most authoritative work on the American Commonwealth; Sir Cecil Spring Rice, who was here during most of the World War; Sir Edward Grey and Lord Balfour, who were Ambassadors for short periods during and after the war; Lord Reading; Sir Auckland Geddes; Sir Esme Howard, who passed away only a few days before I sailed; and last, but by no means least, Sir Ronald Lindsay, who for nine years represented my country with such wisdom, steadfastness, dignity and strength in Washington. They set a high standard and will be a hard company to follow.

I am glad to think that the mutual comprehension between our two countries is much better than it used to be. There is certainly far greater knowledge of the United States in my country. That is partly because the reading of American history now has a definite place in our colleges and schools; partly because we have become much more American in our mode of life than most of you realise. I think you on your side came to realise how greatly our life

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had been democratised from the formalism of the Victorian era when you saw our King and Queen only four months ago. Both they and we are immensely grateful to you for the wonderful welcome you gave them. You rapidly came to recognise the simplicity of character, genuine humanity and the spirit of public service which have endeared Their Majesties in so short a period to their own subjects.

In some ways I regret that I have to speak to you at all to-night. It is very difficult for a belligerent to address a neutral without saying something that may be misunderstood as an attempt to interfere. But it is an old-established custom that shortly after his arrival at his post every new American Ambassador has to address the Pilgrims in London, and that every new British Ambassador has to address the Pilgrims in New York. So I am here. And being here it is not possible for me not to talk about the subject which is uppermost in the minds of everybody throughout the whole world to-day—the war—what it is about, how it will end, how it can be prevented from recurring.

This war is a far more portentous thing than the last. It is likely to leave the world far more deeply transformed, for better or for worse, than the war of 1914. The ideological conflicts go deeper. The armaments are more gigantic. There is far less confidence than there was twenty years ago in the strength of our western institutions and in democracy, as we have known it, as the simple specific for all our governmental ills. Immense as were the changes wrought by the years 1914–18, the present war, if it lasts as long, is likely to end in transformations far more profound.

I have been told that, if I talk about so dangerous a subject as the war, I shall be accused of propaganda. You are quite rightly suspicious of propaganda. May I say just this about it? There is all the difference in the world between the publicity characteristic of the democracies and the propaganda of totalitarian states. The very basis of democracy is faith in the capacity of the individual for responsible decisions. The success of democracy, in the long run, depends upon the wisdom, the public spirit and the self control of the individual citizen. A democracy invites publicity. It wants to hear all sides; it must hear all sides, for unless it does it cannot judge properly. The great difficulty about democracy is that the citizen is expected to arrive at conclusions about public affairs, not in the calm of the library or the courtroom, but amid the clamour of opposing parties, the propaganda of selfish and vested interests, and constant appeals by politicians of the baser sort to

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selfishness and greed. But it is precisely the capacity to think for himself and herself which is absent among those who have only to obey the command of authority. As a fellow democracy, therefore, we feel we have the right, indeed the duty, to tell you our story, to explain to you and all other democracies what we are doing and why we are doing it. But having done that we feel it is for you and you alone to form your own judgment about ourselves and about the war. That, of course, is your inalienable right.

That is what we mean by saying that the British Government conducts no propaganda in this country. We want to tell you the facts as we know them, and our point of view about them, from London. But having done so, by our own democratic principles we are bound to leave you perfectly free to form your own judgments.

The propaganda of totalitarian states is necessarily on a different basis. For by the law of their own being they do not entrust the final decisions on public policy to their own citizens. They set out to manage their thinking for them, as they think, in their own interest, through official control of the schools, the universities, the press, the radio and the movies. It is a central purpose of totalitarian countries to manipulate opinion at home. And that fact, I think, necessarily colours the purpose of their foreign propaganda also.

So I am going to brave the critics and talk to you about the war. If we British and you Americans, indeed all the free peoples, cannot speak frankly to one another about what is deepest in our hearts, and what most affects the future of the world, then there is no possibility of arriving at a sane policy for peace. I believe that you want us to talk to you frankly and honestly about these vital things, as we certainly want you to do to us.

This war, of course, is the outcome of the mistakes of the past. All wars are. There has been endless discussion about who is responsible for this war. We can all draw convincing pictures of how our neighbours have contributed to the reappearance of world war, just twenty years after the conclusion of the war which was to have ended all wars. My country must certainly bear its share of blame. But, if we are to see the picture clearly, I think we must admit that no nation and no statesman can establish a clear alibi for what is now happening. A little humility, sometimes, does not do any harm—for, as Christianity makes clear, humility is one of the portals to the discernment of the truth.

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I want, in the first place, to say a word about the Treaty of Versailles. It has become the fashion—Dr. Goebbels has made it the fashion—to attribute every evil to that unfortunate Treaty. There were certainly defects enough in it. But it is absurd to attribute all our troubles to it. A very distinguished German democrat only a few weeks ago said that the rise of National Socialism was due, 30 per cent. to the Treaty of Versailles, 30 per cent. to the inexperience of Germany in democracy, and 30 per cent. to the great depression which in your country began in 1929. I would put it somewhat differently. Hitlerism is the child of bolshevism out of universal economic nationalism. But do not let us lose sight of the ideals which moved us in those remarkable days from 1914 to 1920. We then entered an epoch in which an old world began to die and a new world began to be born. Before 1914 the old diplomacy governed international relations. It was regarded as being natural and right that every nation should think only of its own interests and should feel no responsibility for anyone else. But in 1914 the democracies, which had previously concerned themselves almost entirely with their internal affairs, began to take charge of international relations. Democracy, as Thomas Mann has so brilliantly said in his great address "The Coming Triumph of Democracy", by the law of its being, inevitably gives its allegiance not to dreams of power but to moral ideals. It may not always live up to these ideals. It certainly does not. But they are the stars by which it guides its life. And so, immediately the democracies became actively concerned with international affairs they proclaimed their own ideals about them. Mankind is a community. War is fratricide. Nations as well as individuals have the right to life, liberty and happiness. Backward people have the right to security against exploitation and to be guided towards self-government. The status of all nations, great and small, should be equal before the law. And the establishment of a true reign of law between the nations is the only remedy for war. Those were the ideals which underlay the war and the Paris Peace Conference of 1919. They are, I believe, eternally true. And they were expressed with immortal eloquence by your own President Wilson.

But the democracies had not thought out what the establishment of this new world implied. They did not realise that the new world was incompatible with universal national sovereignty or with many other features of the old order. That is not the only

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reason, but it is one reason why the war has returned; and why it is still in doubt whether the break-up of the old order is going to end in a new advance to freedom or another plunge back towards barbarism. But the victorious democracies, in 1919, in the Versailles Treaty, did apply their principles to the territorial settlement of Europe. They did give every nation the right to a separate autonomous existence, and they did try to give protection to minorities, and they did set up the mandate system to give protection to backward peoples. The number of free nations in Europe rose from seventeen to twenty-six, including the terribly delayed freedom of Ireland. People criticise the frontiers drawn at Paris. Admittedly some of them were not very good. But at the worst they were only a few miles wrong. What Herr Hitler is challenging at bottom is not the frontiers made at Versailles but the whole democratic conception of international life. His remedy for frontier mistakes is not to correct them but to annihilate Austria, Czechoslovakia and Poland by violence, in order to establish a Nazi Empire, controlled by a secret police, which destroys not only national but individual freedom within it, and gives minorities no rights at all.

So I beg you not to be misled by this ceaseless attack upon the Treaty of Versailles. The greatest mistakes made at the Peace Conference were not political but economic. Few people seemed to realise the inevitable consequence of dividing Europe, or, for that matter, the world, into watertight economic compartments and then of imposing on these States fantastic reparations and other forms of inter-governmental indebtedness which it was quite impossible to pay across these economic frontiers without disaster for all.

Fundamentally, the British are fighting to-day for the preservation of some of these new values, which the democracies declared during the last war. I am not sure that our ultimate goal is yet visible, any more than we were able to see in 1914 what we came to see, largely under American leadership, in 1918. But there are, we feel, two points which are clear. The first is that there can be no basis for a lasting peace which does not give to all the nations of Europe their right to autonomous freedom and until the Gestapo is cleared out from among them. The second is that we should establish some security against constantly renewed wars of aggression and against the situation in which Hitler has been able to annex a new country by war or by threat of war every six months. We feel that an armistice now would

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simply play into his hands. That would give him months in which to decide where his next attack is to be made, to reorganise his preparations in the right direction, to get the democracies demobilised, so that the initiative in attack passes back to him and he can make his next pounce before they are ready to meet it. No true peace can be made on that basis.

I am sure there is no desire in my country to impose another dictated peace on a prostrate Germany, or to take from her any lawful rights. On the contrary, I think there is a clear conviction that only through a peace negotiated with a Government they can trust can Germany, and all other nations also, obtain that legitimate place in Europe and the world which is the only possible basis for a lasting peace.

But let there be no mistake. We feel that to-day we are fighting for some of the vital principles upon which a civilised world alone can rest—a world in which the individual and the nation will be free to live their own lives in their own way, secure from sudden attack and destruction. There we stand; we can do no other. And unless I misjudge my fellow countrymen, there we shall stand until that purpose is achieved.

But you constantly ask, What are our ultimate peace aims, what are our ideas about the kind of world we want to see established if we win the victory? We can understand that request because the way the war will end will affect you as well as us. To-day the war in Europe is our concern as a belligerent and not yours. We understand your attitude of non-intervention better perhaps than you think, because for many long years "splendid isolation" was our own attitude to the constant wars and struggles of Europe—so long as the Channel was as wide as the Atlantic and so long as nobody threatened to be able to dominate Europe and so cross it.

I have told you our views so far as they have been formulated up to the present. But we think we are entitled to ask you the same question. What do *you* think should be the settlement we should aim at after the war, the kind of settlement which will end the risk of another world war in another twenty years? At bottom we are fighting a defensive war. We are trying to prevent the hordes of paganism and barbarism from destroying what is left of civilised Europe. We are putting every nerve into the task. We are up to our necks in action. But you are outside the maelstrom. You get more and better news than any country under censorship in Europe. Perhaps you can see things in a better perspective than we can. The war is following a different

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course from that which any of us expected and the peace to which it ought to lead is likely to be different from what we have expected also. As I always tell my fellow countrymen, it is inconceivable to me that the United States, which has already done such immeasurable things for the freedom of mankind, which has produced the greatest democratic leaders that the world has seen—Washington, Jefferson, Hamilton, Abraham Lincoln, Theodore Roosevelt and Woodrow Wilson—every fibre of whose tradition spells faith in the perfectibility of man, in his progress and freedom, should not have its own contribution to make to the solution of the greatest problem that has ever presented itself to the genius of man.

To-night, pending answers from you and France and Britain and elsewhere, I am going to venture, on my own responsibility, to make my own contribution to the discussion of the kind of world we want to see after the war. I am going to appeal not to theory but to experience. I would ask your consideration of certain remarkable facts about the nineteenth century.

The nineteenth century, or rather the century from 1815 to 1914, was a century without world war. That was a very striking and significant fact. It was the only such century since the break-up of the Roman Empire or, at least, of the medieval world. Three-quarters of your history as a nation have been spent in a totally unusual era—an era without world war. The eighteenth century, the seventeenth century, and the sixteenth century were periods of the almost continuous world war. During the whole epoch from the first Spanish settlement, America, both North and South, was the scene and subject-matter of world war. Your own destiny turned upon the outcome of the Seven Years War in Europe from 1756 to 1763, on whether the British Navy was able to drive the French fleet off the seas and allow the British and colonial forces to take over Canada and free the Mississippi valley. And that victory was the prelude to that "incident", to use the now fashionable term for war, in which you drove King George III out of the United States because he unwisely insisted on trying to make you pay part of the cost of that war.

Even after that and during the Napoleonic Wars you were in constant danger, and in 1812 you were drawn once more into world war. But then the picture changed. For a century there was no external war in North and South America, and no world war. It was not till 1914 that the era of world war began again. It engulfed you in 1917, and now in 1939 it has already sucked in the British

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Commonwealth and has come near enough to you to make it one of your serious preoccupations how you are to avoid being sucked in yourselves also.

This era of world peace did not happen by accident. It was the result of definite policy and action. That is why I think it worth while to consider how the century of freedom from world war was achieved. The reason was because you and we, between us, created a rudimentary but, in the circumstances of the time, none the less effective system of world order. We did not attempt to prevent all war. But we prevented world war—and that was the essential thing. Local wars do only limited damage. It is world wars which destroy civilisation.

Your part in the system was the Monroe Doctrine. The underlying idea of the Monroe Doctrine was originally proposed by Canning as a joint Anglo-American policy. It was eventually proclaimed by President Monroe, quite rightly as I think, as a unilateral policy of the United States. The Monroe Doctrine was fundamentally a strategic doctrine. It aimed at preventing European political intervention in, and the transference of European wars to, North and South America, and it put the American Navy behind the independence of the American republics, as the sanction behind the Doctrine. The principle of the Monroe Doctrine is now, I am glad to see, becoming a Pan-American doctrine as well as a declaration of American policy.

But the Monroe Doctrine did not, in practice, stand alone. You and we each of us carried out independently our own share of the original Canning proposal. The Napoleonic Wars had taught Great Britain the value of sea power and that her own freedom and that of the whole overseas world in which she was interested depended upon her having an invulnerable base at home, a paramount navy, and naval bases all over the world. This meant that no European or Asiatic Power could cross the oceans and annex overseas territories against her will unless they had a navy large enough to challenge hers. We had a kind of Monroe system of our own, reinforcing yours, but extending it to overseas territories like South Africa, Australia and New Zealand, or countries like India which could not be easily reached overland. It was this double system which was the power basis of the nineteenth-century peace. So long as it was unchallenged not only were we and you safe from attack, but there could be no world war. There could be local wars. There was the Franco-Prussian War, the war for the unity of Italy, the Sino-Japanese and the Russo-Japanese

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Wars, your own Civil War, and other minor conflicts. But there was no world war until there arose in Europe a Power which was able to challenge Great Britain at sea, as Germany challenged it, by the building of the new German Navy at the beginning of this century.

But there was another element, an economic element, in the nineteenth-century system, which explains why it was a century of unexampled prosperity and why the industrial revolution was able to develop without world war. It consisted of three parts. The first was that there was, in effect, a world currency based on gold. This was initiated by the Bank of England in co-operation with other national central banks with which, in due course, the United States co-operated, and created a stable basis for world trade. The second was that during most of the period the world was either free trade or relatively low tariff. The conditions therefore existed for that free movement of capital and labour all over the world which was the secret of the prosperity of the Victorian age and which prevented much economic rivalry and friction. The third was that there was practically free immigration to the new world. This relieved those population pressures in Europe which, with present-day extravagant economic nationalism, have been, in my judgment, the main cause of the rise of the dictatorships. And in this, the United States, by opening its doors to millions of immigrants from Europe, played the principal part, and gave, in the melting-pot, the answer to the present racial doctrines of totalitarian Europe.

This nineteenth-century system of world peace can be criticised, of course, as being arbitrary and "dog in the manger". Europe, indeed, has frequently criticised the way in which the Monroe Doctrine reserved the vast areas and unexampled resources of the new world for the relatively small population which has been fortunate enough to live there. And the British Empire, as you all know, has been a target of ceaseless abuse as a purely selfish imperialistic concern, some of which no doubt is deserved. But the fact remains that while we both profited enormously from the nineteenth-century system, so did the rest of the world. Just consider the record of that remarkable, that most unusual century. Because world war was prevented, because the system was administered by two Powers which were on the whole liberal and democratic; because its economic policies were sound, it saw an unexampled expansion of human freedom and prosperity. The North and South American continents were left free to develop

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without external war and without liability for maintaining burdensome armaments or those restrictions on individual freedom which are inevitable when war comes near. The British Empire became transformed into a Commonwealth in which not only Canada, Australia, New Zealand and South Africa have taken their place as independent equal nations, but every other part, India, Ceylon, Burma, Jamaica and many other peoples are now far on the high road to self-government. During the century the system of individual economic initiative and private property, known as capitalism, raised the standard of living in the western world fourfold between 1815 and 1914. And towards the end of the century democracy was learning how to remedy, by old age pensions, graduated taxation, unemployment and health insurance and so forth, many of the evils which unrestricted capitalism had begun to bring forth. Yet naval power, which was the sanction behind it, because navies cannot move on land, made the system one of peace and freedom rather than of domination. The best proof that on the whole the system benefited the world was that at no time was there any serious thought by other nations of trying to upset it.

In 1914 this marvellous era came to an end. I cannot discuss to-night the reason. I would only say that one main reason was that Europe, during that century of world peace, failed to find any basis for its own federal union, as you and Canada and Australia had done.

But while, after a century of achievement, this rudimentary system of world order failed to prevent another world war, it did succeed in its primary purpose of protecting the liberties of North and South America and the British territories across the seas. At the end of the world war there was more political freedom and democracy in the world than there had been before. And to-day, early in the second great war of this century, it is precisely the future of this freedom which is at stake. If the barrier now erected by Britain and France goes, the victor will control the seas, the bases on which that control has rested will necessarily pass to him, and the system behind which you and we have lived, on the whole so freely and so prosperously, for 150 years will have disappeared.

I do not propose to-night to try to discuss why the League of Nations which, in 1919, was erected to replace the nineteenth-century system and which was based on the ambitious hope of giving security for national freedom everywhere, why the League

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of Nations, has so rapidly and, at the moment, so completely broken down. There are many reasons, some of which I have already mentioned. I would only add that one main reason was the failure to distinguish between world problems and the internal problems of Europe. Some form of economic federation, perhaps even of political federation, at any rate for part of Europe, is, I am sure, a necessary condition of any stable world order.

I have ventured to give you this brief retrospect of the history of the nineteenth century because I believe it contains lessons which are well worth our study to-day. Conditions, of course, are different to-day. It will not be possible to reconstruct the nineteenth-century system with its old forms; but, when at the end of this war we come to consider how world war, though not perhaps all war, can be prevented from happening again, I think it is worth while to consider the factors which underlay the successful experience of that century.

There has been a tendency among some writers in this country to regard this war as a struggle between Britain and France on the one hand and Germany on the other, with diplomatic manoeuvres going on in eastern Europe on the side. Repeatedly I see it said that this is a mere contest for power between rival imperialisms. I think this is to misunderstand what is at stake. It is a question of whether power is going to be behind a liberal and democratic world or a totalitarian world. One of the mistakes the democracies made after the last war was to think that peace would come in the main through disarmament. Disarmament on a large scale, of course, is necessary. But peace comes from there being overwhelming power behind law—as you found when you had to deal with the gangsters within your boundaries. The real issue in this war is whether there is going to be power behind the kind of world in which France and the British Commonwealth and the democracies of Scandinavia believe or far more relentless power behind the world in which National Socialism and Communism believe. That is the real conflict—not the conflict between rival imperialisms.

Let me give you another reason for thinking that this war is not a mere struggle between Britain or France and Germany. I have often besought my fellow countrymen to study the United States. I have found it a most fascinating and inspiring study. May I urge you to study the modern British Commonwealth? I think you will find it equally fascinating. It is something quite different from what most Americans believe. It is

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no longer an empire in the old sense of the word. It is a vast system of international relationships, containing nearly 450,000,000 people, of many different races, religions and colours, yet living together under conditions of order and with ever-increasing freedom and responsibility. It is full of problems. India is the greatest of them. The root difficulty in India is how to find a stable form of responsible self-government for a sub-continent containing nearly 400 million people, speaking several languages, with grave Hindu-Moslem tension reminiscent of the Protestant-Catholic struggles in Europe, and with a third of the country governed by historic medieval princedoms. These things cannot be settled in a day, and, while there is no doubt that opinion in India is wholly on the side of the Allies and against the totalitarians—Mahatma Gandhi has made that clear—there are difficulties about the share of responsibility which the Indian parties are to have for the conduct of the war, difficulties which I believe will be adjusted by common sense and good will.

The attitude of the independent nations of the Commonwealth—Canada, Australia, South Africa, New Zealand and Ireland—has been made clear by their own Prime Ministers and Parliaments, free from all interference by Great Britain. The record is there for all to read, both of their decision and of what they propose to do. It is exactly the same with the colonial peoples. Legislative Councils, native rulers and representative bodies everywhere have declared their support of the Allies' cause. It is a striking tribute to their confidence in the modern Commonwealth system—the essence of which is that the innumerable problems which arise within it, problems of race and colour and civilisation, of self-government and responsibility, must be settled by free discussion round a table, by compromise, and not by resort to violence or by the domination of one race over all the rest. And as such it bears a clear analogy to your own Pan-American Union. It is by no means a perfect system, but it is on the right road; and for years it has been developing towards greater freedom. All these peoples, scattered all over the world, have now taken the same fundamental attitude to the great issue which is at stake in Europe. That, I think, is a remarkable thing—and it shows the immense gulf between British Imperialism, as it is sometimes called, and the imperialism of the totalitarian world.

In this war we are confident that our cause is going to prevail. We have no doubt about it. It may take time, as it took time in

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1914. It took even longer in the days of Napoleon. And our confidence is not based only upon a calculation of the vast human and material resources which, with ever increasing speed, are being mobilised to fling into the struggle (you have seen only a few days ago how the flying youth of the Commonwealth is to be trained in Canada)—it is even more because they are convinced that the right is now on their side. And if you are prepared to make sacrifices for it, the right always does win, because nothing lasting can be constructed on force alone, for underneath us all are the everlasting arms of justice, mercy and love.

I think we feel something more. In all the great crises of history the issue is between a great advance or a great setback. Crises mean that the old order is perishing and that something new must be born. Though we do not see the way clearly yet, we believe, all of us, Frenchmen, Canadians, Australians, New Zealanders and South Africans, and peoples from many other lands, that something greater and more noble in order and freedom, and not something brutal and vile, must be born out of the sacrifices of this time. At any rate, that is the hope and faith in which they are prepared to lay down their lives. The early years of the last war were years of defeat and failure and disaster. Yet in those days was written a poem which represented very well the hopes of that terrible time. It represents very well also, I think, the spirit of the Allied Armies to-day.

You that have faith to look with fearless eyes
Beyond the tragedy of a world at strife
And trust that out of night and death shall rise
The dawn of ampler life:

Rejoice, whatever anguish rend your heart,
That God has given you, for a priceless dower,
To live in these great times and have your part
In Freedom's crowning hour;

That you may tell your sons who see the light
High in the heaven, their heritage to take:
"I saw the powers of darkness put to flight!
I saw the morning break!"

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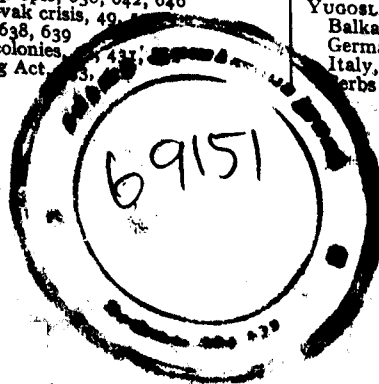
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