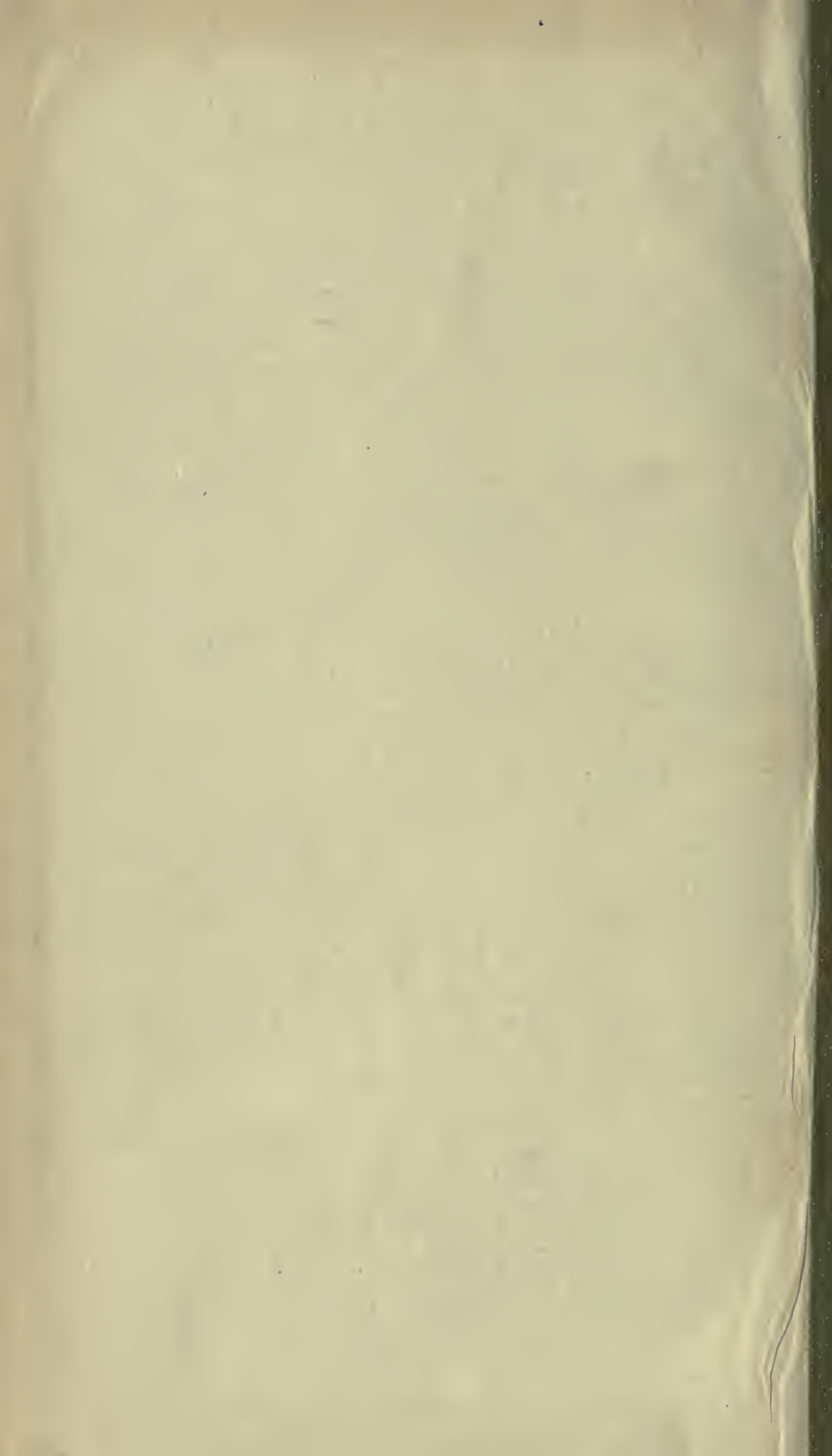


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# THE ROUND TABLE

A QUARTERLY REVIEW OF THE  
POLITICS OF THE BRITISH EMPIRE



## Volume XII

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THE ROUND TABLE

OF QUARTERS OF SERVICE IN THE  
ARMY OF THE UNITED STATES



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# THE ROUND TABLE

A QUARTERLY REVIEW OF THE  
POLITICS OF THE BRITISH COMMONWEALTH

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## NOTE

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in all parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE will reflect the current opinions of all parts about Imperial problems, and at the same time present a survey of them as a whole. While no article will be published in the interest of any political party, articles may from time to time be published explaining the standpoint of particular parties or sections of opinion. In such cases, however, the character of the article will be made clear by an introductory note.

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## THE WASHINGTON CONFERENCE

**T**HIS article is concluded at the moment when America's programme for naval disarmament is announced. There is not time to consider or discuss these epoch-making proposals before the press claims its copy. It must suffice to say that in their spirit, their precision and their magnitude they have struck a note which the whole English-speaking world will echo. It must be for the Conference itself to probe and, if possible, solve the practical difficulties which stand in the way of fruition, and the result of its deliberations will be published before these lines can be read.

But, as Mr. Hughes declared, questions of policy are inseparably bound up with disarmament, and the following article is intended to discuss the principal political questions which are likely to come before the Washington Conference.

### I. THE PACIFIC PROBLEM

**F**ROM this standpoint the centre of interest at Washington will be the Pacific. It is there that international disputes, threatening war, at present centre. It is over Pacific problems that agreement must be reached if the new competition in armaments is to cease and the new war clouds are to be dispelled.

To the British eye the root of the trouble lies in the Chino-Japanese situation. On the one hand there is the incompetence and venality of China. China is not yet

## The Washington Conference

controlled by the fine missionary and university trained Chinese who speak on European and American platforms. She is still the prey of military governors and corrupt bureaucrats. A people of over 400,000,000 in number, she has nearly a million and a half troops under arms, yet she is unable to defend herself against Japan, because these troops are engaged in an endless and meaningless civil war. She has no effective central government, largely because there is no adequate system of roads or railways in her land. Her diplomacy is still dominated by the old traditional pacifism and evasiveness, which makes the transaction of business so difficult. And despite thousands of educated and competent Chinese engineers and administrators, she has so far been unable to get her internal system of administration, political or economic, in sufficient order to control Chinese or foreign grafters or adventurers, or to give confidence to genuine foreign enterprise. The first condition of a solution of the Far Eastern question is the firm handling of the Chinese internal problem by the Chinese, either alone or with sincere and united foreign help.

Nor is there any reason for pessimism if China can be given a start on the right lines. For the virtues of her common people, whose honesty, industry and kindly nature earn the regard of almost all who are brought into contact with them, afford a solid basis on which to build. On the other hand there is the ambition and militarism of Japan. Her rapid internal development has won universal admiration. Some fifty years ago her conditions were primitive. Her society was comparable to that of Europe in the Middle Ages. To-day she is one of the great civilised Powers of the world, and her progress has been entirely the result of the energy and worth of her own people. But the predominant power in Japan to-day is undoubtedly exercised by the military clique—just as it was in Germany, before the war. And this clique is obsessed by the military outlook that Japan must have ever greater national strength expressed in territory, dominion and

## The Pacific Problem

armaments. She must be the first Power in the Far East. She must make Korea part of Japan. She must control Manchuria and Eastern Siberia, penetrate into Shantung and the interior, and if she cannot dominate China, she must keep her divided and weak lest, owing to her vastly greater numbers, she should come to overshadow Japan herself. Japan, an island Power, has not followed Britain's example, but Germany's, and already this policy is having the same effect, in rousing suspicion everywhere and in crushing her own people, economically speaking, with intolerable burdens.

Japan's policy, however, has been largely thrust upon her. Her seizure of Korea was the direct outcome of the attempt of Russia to seize it and the consequent Russo-Japanese war. Her further advance was largely encouraged by the general European scramble for territory and concessions in China, and the occupation of Shantung was the direct outcome of the defeat of Germany. She now finds herself, therefore, in the difficult position of being both an island and a continental Power. If she goes forward it brings her into open collision with China and the Western Powers. If she begins to retire from the continent, what is her future? Yet can she stand still?

There, in China and Japan, lie the two roots of the trouble, and they aggravate one another. The disorder and venality of China plays into the hands of the militarists and expansionists of Japan and *vice versa*.

But that is not the whole problem. The Great Powers enter in. In the first place, as we have seen, they have been largely responsible for Japan's original advance. Then they have complicated the situation by refusing to permit the Japanese to emigrate to the white inhabited lands under their control. The reason is a good one, that the intermingling of white and yellow peoples at different economic levels always produces violence, race hatred and unrest; and that it is better therefore to keep them apart. In point of fact this policy, though offensive to their national pride,

## The Washington Conference

is not objectionable to the Japanese Government, which is very anxious not to lose its nationals to other lands. But the effect is to confine the Japanese practically to their own islands. They cannot settle either in a very hot or a very cold climate, and temperate Asia, Korea, Manchuria, and China proper are already so densely populated that there is no room for more. Japan, however, has an island territory not much larger than Great Britain, her population numbers 56,000,000 souls, and is rapidly increasing. The only solution of her problem, therefore, is industrial development which will enable her to feed and employ her surplus people in factories at home.

Yet here again the Great Powers step in. Having few raw materials of her own for her industries, Japan has to acquire supplies of coal and iron ore, etc., from China, which has them in superabundance. She is also anxious to secure the lion's share of the China market for manufactured articles for her own products in order to secure employment for her people at home. Unfortunately for her she attempted to effect this by militarist means, the presentation, in 1915, of the famous 21 demands. This aroused great opposition in China and widespread suspicion elsewhere, and has enormously increased Japan's later difficulties.

But it is not Japan alone which is concerned about this. The Great Powers, and especially the United States, are also bent on developing China in order to find orders and employment for their manufactories at home. The causes which have done so much to destroy the value of Europe for the purpose of trade are described elsewhere in this issue. The attention of America has necessarily in consequence been more than ever concentrated upon the immense possibilities of China. There is a direct competition between Japan and the Powers for access to the China markets, Japan seeking for some recognition of her special position and interests, the Powers insisting on absolute equality of opportunity for all.



## The Pacific Problem

Finally there is the Anglo-Japanese Alliance and the strategic question. The history of this alliance has been set forth in earlier numbers of this review.\* At first it was a device which successfully prevented the impending Russo-Japanese war from developing into a world war. Later it was the method whereby security was gained both for Japan and Britain in the Far East and Great Britain was enabled to concentrate its naval forces to meet the German menace in the North Sea.

On the whole the alliance has worked well for everybody. It has certainly suited the broad national interests of Japan and Great Britain. Its opponents, however, declare that it has worked to the detriment of China, and that it now threatens the good relations of the British Empire and the United States. In particular they say that it has encouraged the militarism and aggression of Japan against China, by securing her from interference and giving a sort of British sanction to her activities. The friends of the alliance, on the other hand, say that the truth is exactly the reverse, and that the only effective restraint on Japan has been that exercised by Great Britain in her capacity as friend and ally, and that the protests of other nations were ineffective because they had neither the armaments nor the influence with which to enforce them.

The real question is, ought the alliance to be renewed ?

The case perhaps can be briefly summarised as follows. Those against renewal point out that the old reason for the alliance, both the Russian and the German menace, have disappeared. Neither Japan nor Britain are now threatened by anybody. The renewal of a purely military alliance looks like a reversion to militarism and is therefore inconsistent with the idea of the League of Nations. Further, the idea of renewal is unpopular both in the United States and Canada, because it seems to imply suspicion and veiled unfriendliness to the former, even though America

\* See especially "The Anglo-Japanese Alliance" in THE ROUND TABLE for December 1920, No. 41.

## The Washington Conference

is definitely excluded from its purview. It is also objected to by China. Renewal, therefore, might end in the creation of a sort of balance of power in the Pacific, with the United States and China on one side, and Britain and Japan on the other. From this point of view the renewal becomes dangerous to the unity of the Empire.

Those, on the other hand, who are in favour of renewal point out that merely to drop the alliance would be tantamount to an unfriendly act to Japan. It would look like dropping a friend who had stood by us in the war as soon as the war was won and circumstances had changed. There is in England no desire whatever to break off the good understanding with Japan. The only feeling is, cannot it be maintained in a new and a better form? There is another strong objection to denunciation of the alliance. It would tend to divide the world on colour lines, and so to set the stage for a world war of race. This would be specially fatal to the British Empire, for if renewal would strain Canada's loyalty, denunciation might strain India's. From this point of view the alliance is a standing proof that East and West can co-operate, and that the British Empire is the great bridge of understanding between East and West. Finally, there is the strategic argument. British territory in Australia and New Zealand are protected by the alliance to-day. If it were dropped, Japan might drift into hostility. On what protection could we then rely?

Our own view, set forth in this review six months ago, was that it would be a mistake to denounce the alliance, but that it was not well adapted to the conditions of to-day, and that the right course would be to try and widen it into a four-cornered understanding about China and the Far East, to which the United States, the British Empire, Japan and China should be parties. We adhere to this view, and it is strengthened by a consideration of the present circumstances of the Far East.

What matters to-day is a common understanding which will give some security and finality in the Far East. China

## The Pacific Problem

must be guaranteed her territorial integrity, and her territory must be defined; at the same time she must be encouraged and assisted to put her own house in order, and that to be effective can only be done by the three Great Powers, the United States, Japan, and the British Empire, acting together, insisting that their help shall produce practical reforms, and ceasing to compete with one another. On the other hand, Japan ought to define in a form which China, Britain and the United States can accept, because it is inconsistent with the independence of China, what she considers her rights to be, and what is the policy she means to pursue, especially in Manchuria and in Eastern Siberia and about the islands. The dangerous situation in Shantung ought to be finally cleared up, and a real agreement arrived at as to the true meaning of the open door for trade, and as to what special position, if any, Japan is to occupy in the Far East. It would be an immense step if Japan at the same time could announce that she intended to follow in Korea the lead of Great Britain in Ireland.

If agreement could be reached on these things there ought then to be no difficulty in developing the Anglo-Japanese Alliance into a four-cornered entente, under which everybody's rights were defined and secured under mutual guarantees. This is the real road to peace in the Far East and this is the real road to naval disarmament also. Failure to agree can only be fatal to everybody. It will estrange China and Japan. It will estrange America and Japan. It leaves every Power thrown back on itself and its own armaments, and therefore instead of lessening expenditure on armaments it will increase it. It might lead to eventual war. And because of this it might well make the renewal of the Anglo-Japanese Alliance in any effective form impracticable, for if there was to be a conflict between Japan and America over the freedom of China the British Empire would maintain its unity only by a neutrality friendly to the United States.

We trust, therefore, that some way of agreement will be

## The Washington Conference

found. With goodwill and common sense it ought not to be difficult. It is the only road which leads straight both to naval disarmament and peace.

### II. DISARMAMENT IN EUROPE

THE problem of disarmament in Europe is much more difficult. There is the fear of Germany in France, immensely aggravated by the failure of the United States to ratify the treaty of guarantee. There is the question of enforcing the treaty, both as against Germany and the other enemy Powers. There is the fear in the new states of Central Europe of a revival of the Hapsburg pretensions—for which Karl's two recent escapades give solid ground. There is the enigma of Russia. There is the still unsettled problem of the Middle East.

There is indeed not much prospect of striking results. If the United States would come into some effective association of nations, still more if she would sign the treaty of guarantee, under which America and Great Britain were to ensure the safety of France against aggression, it would undoubtedly strengthen the forces of stability and peace in Europe, and hasten the pressure to reduce armaments now exercised by financial stress. This does not, at present, look very likely. It would therefore seem that it is to time and economic necessity rather than Washington that we must look to reduce armaments in Europe.

### III. THE LAWS OF WAR AND THE LEAGUE OF NATIONS

ANOTHER subject on the agenda is the laws of war. A little thought has been given to this subject in Europe of late. But it has received more attention across the Atlantic. The Republican party, having rejected the League, has concentrated on an international court. The weakness of a court is that it cannot make laws, it can only

## The Laws of War and the League of Nations

interpret them, and without a League or Association of Nations to lay down agreed treaties or laws its utility must be very restricted. On the other hand, there is a considerable body of opinion that thinks that even if no effective guarantees can be given about territorial integrity, nations will combine to take effective action about such things as submarine warfare and the bombing of open towns. The United States or Great Britain, for instance, might be unwilling to go to war about the frontiers of Hungary, but might take severe diplomatic or economic steps against any nation which resorted to practices which, if they became general, might affect other nations than those engaged in war.

No doubt the subject will be discussed at Washington. Our own view is that not very much can be done along these lines. The real point is that war itself is the enemy. Once it has started it is very difficult to put any limitation upon the methods employed, because such limitation can usually only be enforced by other nations going to war and employing the very same means themselves, as was shown in the late war. The cure for war is the settlement of international questions by reason and goodwill, instead of by force; and to bring this about two things are necessary—in the first place machinery whereby reason and goodwill can be brought to bear in time, and in the second place the knowledge that other nations will bestir themselves to make it unpleasant for any nation which has recourse to force before giving conciliation a chance.

The League of Nations was an attempt to give effect to this principle. It has not succeeded, partly because of party and personal politics in the United States, partly because the mechanism of the Covenant was too elaborate and complicated. It is impossible to commit nations to specific obligations at the present time, or to erect any body to exercise in any form the functions of a superstate.\*

\* On this subject see an article entitled "The World in Conference" in the September number of *THE ROUND TABLE*, 1920, No. 40.

## The Washington Conference

The right method is that now being adopted at Washington itself—that of bringing the really leading men of the nations together to discuss dangerous questions before they have got out of hand. By getting to know one another personally, and so to understand the difficulties of the other side, much can be done to obviate collision and pave the way to eventual pacific agreement. Certainly if this means fails, no such mechanism as that of the Covenant will succeed.

If the Washington Conference is a success in solving the Pacific question and staving off a terrible colour war, it will have shown the way for the future. It may be possible to perpetuate in some form the mechanism there evolved, to amalgamate it with much that is to be found in the present League, and so bring into being an association of all nations, which may have real effect in preventing war and promoting international concord and peace.

## THE NAVAL SITUATION IN THE PACIFIC

*The following is a brief appreciation of the purely naval elements of the situation in the Pacific, which are of interest in connection with the question of the limitation of naval armaments, the strength of which depends upon many factors besides ships and guns. It will also give some idea of what would be involved in a continuance of naval competition.*

### INTRODUCTORY

**F**ROM the naval point of view facts are of two kinds, moral and material. The former are the more important, since they include such points as the seafaring qualities of a race, its traditions, and the professional ability of its naval officers. But since abstract matters of this kind are outside the control of conferences they can

## Capital Ship Programmes

for the purpose be put on one side, though this does not mean that they should be forgotten. The material facts are tangible things, such as ships, guns, gas, torpedoes, aircraft, bases, docks, fuel depots, staff colleges, ship-building slips, wireless stations, admiralty offices, armour producing plants, etc. These are susceptible to variation by conference.

Within the limits of a few pages it is not possible to make a detailed analysis of the material factors at the disposal of the various Powers whose representatives are to meet at Washington. Attention will therefore be concentrated on the two most important "material" points, ships and bases, and only the British Empire, the United States and Japan will be considered.

### I. CAPITAL SHIP PROGRAMMES

**N**OTWITHSTANDING what has been written to the contrary, the capital ship when organised with its auxiliaries into battle fleets, is to-day, and is likely to remain for the next decade, the kernel of sea power.

The published programmes of the above-mentioned three Powers are as follows: Japan is producing eight battleships and eight battle cruisers. These are to be completed by 1927, at which date none of the ships is to be more than eight years old. The Japanese naval estimates for 1921-22 are approximately £70,000,000—which is one third of her whole budget.

The United States is engaged upon its 1916 programme, which provides for the construction of ten battleships and six battle cruisers by 1925-26. The annual cost of the United States navy in round figures is £140,000,000.

The British Empire has decided to lay down four capital ships, which should be ready in 1924. They will cost from six to seven millions apiece. The total cost of the British Navy for the current year is estimated at £83,444,000.

## The Washington Conference

All the above-mentioned capital ships will be of post-Jutland design, and markedly superior—on paper—to the ships of the existing British Atlantic Fleet. There is one British ship, the *Hood*, which, being partly of post-Jutland design, may perhaps for purposes of comparison be added to the four new ships at present contemplated.

In addition to these extensive programmes of capital ship construction, Japan and the United States are carrying out parallel building in light cruisers, destroyers and submarines. The British Empire is not at present laying down any new construction work in these directions.

Such in outline is the situation as regards post-Jutland capital ships, and in 1925-26-27 these are the ships which will matter. Nothing, however, would be more fallacious than a comparative estimate of naval strengths on the sole basis of the above figures.

### II. NAVAL STRENGTH AND BASES

THE power which can be exercised by warships largely depends upon the area in which they are to be used. The offensive capacity of a battle fleet is governed as much by the question of bases as that of an army is by its transport or a newspaper by its circulation. A fleet depends upon bases of varying size and strength for many services, of which the most important are :—

- (a) Docking and repairs to capital ships and auxiliaries.
- (b) Reserve fuel and supply depots.
- (c) Submarine proof shelter in which a fleet can rest and replenish its stores, and in which transports and supply ships can collect.
- (d) Harbours of refuge and refuelling stations for small craft with a limited radius of action.

Political storm signals point to the Western Pacific as the most probable storm centre of any trouble in the immediate future. Hence it is in this strategic area that the capital ships would be most likely to have to fight, and



## Existing Bases

it is the relative measure of their respective capacity in this area that matters most at the present moment. A map of the Pacific is appended.

### III. EXISTING BASES

**I**N the matter of bases in and about the Western Pacific area the three Great Powers are situated as follows:—

The British Empire has Hong Kong and Singapore. Hong Kong is isolated and has no docks capable of taking the battleships of the present Atlantic fleet, but from a naval standpoint its strategic position on the western flank of this important area is good.

Singapore has no dock capable of taking post-Jutland ships. It lies, moreover, at a considerable distance to the south of the Eastern seas. It has, however, great importance as one of the wicket gates to the Indian Ocean.

At the present time neither of these bases is suitably equipped for the support of a large fleet, as is, for example, the North Sea base at Rosyth.

The United States have bases on the Pacific coast, but they are six thousand miles away from the area under consideration. The Philippine Islands, which could only be seized or protected by the medium of sea power, lie within this area, but they contain no adequate base.

The Americans have two stepping stones between San Francisco or the Panama Canal and Manilla. The most easterly is Pearl Harbour, at Hawaii in the Sandwich Islands, where there is a naval base containing one large dock. Then, 3,000 miles west by south of Pearl Harbour, there is the island of Guam, which was ceded to the United States in 1898 by the Spaniards. Guam contains a harbour, with regard to which the American Navy Board has applied for money. At present its development as a base has not proceeded far, but if several millions were spent on making it into a first-class base the American fleet

## The Washington Conference

would have a war station 1,400 miles due east of the Philippines. In any event, the stage Honolulu to Guam (3,000) is, from the American point of view, an unpleasantly long one. And the inevitable drawing out of their lines of communication would make it difficult for their battle fleet to exert its maximum strength in the Western Pacific.

One other possibility deserves mention. America might, in the event of war, decide to approach the area under consideration from the north. The Aleutian islands lie south of the ice limit, and contain a harbour known as "Dutch Harbour," which is undeveloped at present, but within 3,000 miles of Tokyo.

Lastly, there is the strategical position of Japan herself.

She stands in relation to the Western Pacific much as the British Islands do to the North Sea and the Eastern Atlantic. Her territory lies athwart the eastern approaches to China. From Formosa in the south, through the Liu Kiu islands, and Japan proper, to Sakhalin in the north, her flag flies over a continuous chain of islands.

Just to the west of Formosa again, and commanding the channel between that island and China, there are the Pescadores, a group of islands some 500 miles from the Philippines and 300 miles to the north of Hong Kong. Here the Japanese are making a base. It is the obvious place from which to watch Hong Kong and keep a look out to the southward. Formosa contains several second-class bases, and as for Japan itself, the large dockyard ports such as Sasebo, Tsingtao and Port Arthur on the mainland, together with the Korean ports, secure for her the absolute command of the Yellow Sea and the Sea of Japan.

Such, in outline, are what may be termed the main line of Japan's defences, but there is besides these a line of outposts. One thousand and two thousand miles respectively south-east of Japan lie the Ladrone and Marshall Islands, for both of which groups Japan holds a mandate.

## Summary

They are at present unfortified, but they might have their uses in war as they lie across the American line of communications between Honolulu and the Philippines.

### IV. SUMMARY

**F**ROM the above-mentioned facts it will be seen that Japan's strategic position in the Western Pacific is strong. In other words, in the Western Pacific her naval strength could be exerted at its maximum capacity.

The United States, on the other hand, has territory in this area, but at present she possesses no base, though Guam, on its eastern edge, could be made into one.

Lastly, the British Empire has one base at Singapore on the south-western edge of the area, and another at Hong Kong in a good though an isolated position on the area's western flank.

### V. CONCLUSION

**F**OR the purpose of war in the Western Pacific, Japan has thus a distinct advantage over America or the British Empire, for both these Powers, and especially the latter, are concerned with other naval theatres, whereas Japan can concentrate her attention on this particular one. The geographical distribution of the British Empire, indeed, makes it hard to find any considerable area of sea in which Imperial interests and safety are not dependent upon the ability of cruisers to keep the sea routes open. British naval history abounds in examples in which the crucial area has lain in other waters than the Pacific. In the North Atlantic or the Mediterranean, for instance, Japan's battle fleet would be hopelessly handicapped. No conference can, however, alter the geographical facts which make her strong in the Western Pacific, which for immediate purposes is the area that counts. As, however, ships are

## The Washington Conference

mobile things, it is impossible to disarm with reference to one area alone, except by agreement on the matter of the reduction of bases.

From the point of view of our own Empire, the question of naval disarmament must obviously be governed by the fact that the British naval insurance policy is drawn up to cover world-wide risks.

## THE STANDPOINT OF JAPAN

*In view of the Washington Conference it is especially important to realise the point of view of the different countries interested in the problem of the Pacific. To assist this object articles have been obtained from Japanese and Chinese writers which give the standpoint of their respective nations just as the article from Australia will enable the reader to understand how certain aspects of that problem are regarded in that Dominion. An American correspondent again explains the attitude of his own countrymen towards the Conference. For the views and statements in these articles we are not responsible. The following one is from a Japanese pen.—EDITOR.*

AS the date for the opening of the Washington Conference approached, newspaper correspondents and observers on both sides of the Atlantic set busily to work to convey their impressions of the Japanese situation to the world at large. It is quite obvious that a large number of their impressions were only obtained at second hand, either from reports in the Japanese Press and periodicals—which, often enough, do not represent public opinion in the country—or from political leaders in opposition to the party in power.

Discussion has been directed in the main to particular issues, such as those of Shantung and the cable station at Yap, but, important as is a correct understanding of the arguments in these subsidiary controversies, that understanding can only be properly reached when they are considered in relation to the wider tendencies which are comprehensively summed up as the problem of the Far East or of the Pacific. It is with these wider tendencies

## The Standpoint of Japan

that the Washington Conference, if it is to achieve any useful end, will ultimately concern itself, and it is the purpose of this article, within its limits, to set forth certain broad aspects, as they appear at this time to Japanese eyes. There will be examined therefore :—

1. The influence of military and imperialistic opinion on Japanese politics ;
2. The problem of population in Japan ;
3. The future of China and its open door ;
4. The navies in the Pacific.

### I. MILITARY AND IMPERIALISTIC INFLUENCE ON JAPANESE POLITICS

In order to make the present situation clear, and the more readily to correct implications with regard to Japan's policy which are perhaps more prevalent in America than in the United Kingdom, it will be necessary to glance back at Japanese political history during the last few decades.

Constitutional government in Japan was proclaimed by an Imperial Edict of the late Emperor Meiji in 1868. The development of a modern theory of government has been laboriously pursued by successive Cabinets, but the process was necessarily gradual. In 1881 the convocation of a Diet was proclaimed by another Imperial Rescript ; the constitution of Japan was promulgated in 1889, and in 1890 the Diet was convened at Tokio for the first time, and Japanese Constitutionalism was really started on its way. From that period to the present year the scope of the franchise has been enlarged on several occasions, notably in March, 1918, when the number of electors was increased from 1,450,000 to 3,000,000.

Parliamentary institutions in Japan thus date back only thirty years, and during that period the various political parties which were evolved have passed through inevitable changes. Two well defined bodies of opinion have, however, now emerged in strongly organised parties—the

## Influence on Japanese Politics

Seiyukai, who represent the interests of the Conservative elements, and the Kenseikai, industrial and liberal elements. Other democratic institutions have grown up with the development of political parties, and permit us to say that Constitutionalism has now been firmly established in Japan. The Cabinet presided over by Mr. Hara\* is a party Cabinet, maintained in power by the Seiyukai party.

One of the misconceptions most prevalent in the United States and, in a lesser degree, in Britain, is that Japan is controlled, both as regards policy and administration, by a bureaucratic military junta, overriding alike the Cabinet, the Diet, and the purely political parties. It is even stated that this junta, under the supposed leadership of Prince Yamagata, dictates the uses to which the finances of the country shall be put. The positive fact is that the Diet now alone controls and supervises State finance, including the Budget for the army and navy. Equally misunderstood is the position of the Elder Statesmen, or Genro, who are still supposed to exercise pressure on the administration while standing aloof from the Constitution and party politics. These Elder Statesmen not only greatly contributed formerly to the establishment of Constitutionalism, but are also still in close touch with one party or another. Prince Saionji, for example, was the leader of the Seiyukai and Marquis Okuma of the Kenseikai, and they have still great influence in these parties.

In considering the question of the influence of the military elements, it should be remembered that Japan has had to fight three big wars during the last thirty years, as very soon after the country was opened up to foreign intercourse China began to assume a menacing aspect, and after the conclusion of the Chino-Japanese war Russia adopted a formidable attitude. Even now Japan cannot but be conscious of the possibility of danger from China, which has a potential army of over 1,000,000 soldiers, and whose internal condition is in such a state of desperate disorder

\* See the note at the end of this article.

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that Japan has to be prepared for emergencies. The weakness of China, due to her lack of central or organised government, has overshadowed in Western eyes the fact that she has a larger number of men under arms than any nation on earth. To Japan, her nearest neighbour, this is a commonplace of a menace which the remoter Western peoples have not yet appreciated.

The situation in Russia is to some extent analogous, and, again, the Japanese public sees clearly, and is directly influenced in its potential thought, by considerations almost entirely ignored by Western commentators on affairs in the Far East.

For these reasons it is not surprising that Japan feels it necessary to maintain comparatively large military forces in being. Indeed, it is no exaggeration to say that the peace of the Far East owes its immediate preservation to a large extent to the material and moral influence exercised by Japan's organised army. This state of affairs has a natural reaction on her internal politics, but on top of this legitimate and normal presentation of military necessities, indiscretions on the part of certain military men have resulted in the circulation of exaggerated reports of their influence. That influence is, in fact, entirely departmental, as the military chiefs have no hold on political party organisations. According to Japanese law men on the active service list are disenfranchised. Moreover, it has been a long established creed that soldiers should not meddle in political matters; the Emperor Meiji always discouraged the nomination of generals and admirals to the Privy Council and Upper House. Military opinion in Japan, however, is confined to its own circles, and its influence on current policies can only be exerted indirectly through the departmental advisers of the Government. Control, which after all depends on the money which can only be voted by the Diet, remains with the Government. There is no Japanese political party corresponding to that of the Junkers in Prussia, whose advocacy of militarism rests on



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family tradition and the desire to maintain a grip on the land. As the members of the Privy Council and Upper House are nominated by the Emperor of Japan on the advice of the Cabinet, the political parties in the Diet find their counterparts ever increasingly more marked in these bodies also. Changes in the character both of the Privy Council and the Upper House are the natural outcome of Constitutionalism in Japan, developed and fostered by the astonishing growth of the democratic spirit. To suggest, therefore, that bureaucratic militarism rules the country, and that the Diet is a negligible factor, shows not only an ignorance of Japan's history during the last half-century, but a disregard of the fundamental factors which govern Japan's national existence to-day.

### II. JAPAN'S SURPLUS POPULATION

TO come now to the widely discussed question of the disposal of Japan's surplus population, which has been regarded, particularly by the Americans and Australians, as a source of danger. Japan, be it remarked, is not a colonising nation, as out of a total population of about 56,000,000 in Japan proper, there were only 650,000 outside the country in 1920, and nearly half this number were in China. It is obvious that with a population of 377 inhabitants to the square mile in Japan proper, or, including her colonies, of 315 per square mile, Japan ranks amongst the most densely populated countries of the world, and some remedy must be found. At the outset it should be emphasised that as long ago as 1907 the late Marquis Komura, then Foreign Minister, laid down in the Diet the Government's emigration policy, and stated that they desired to keep their own people within the Island Empire and its neighbourhood. Neither then, nor since, have the Government departed from this policy, and have no intention of forcing emigration either to America or Australia. In this connection, it may be as well to re-

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mark that Japan has scrupulously respected the provisions of the "Gentlemen's Agreement," which was first informal and then confirmed by a declaration made by her when the Treaty of Commerce and Navigation between Japan and the United States was revised in 1911, and under which labourers were not to be allowed to emigrate to the United States. Japan only desires similar treatment for her resident nationals in America as is given to the nationals of other States. As regards Australia, there are no outstanding questions with Japan in connection with immigration, and the Japanese Government are well acquainted with the Australian point of view.

The colonies of Japan occupy a peculiar position to the homeland, as they form an integral part of the chain of islands composing the Island Empire, from Japanese Sakhalien in the north to Formosa in the south. Korea is also so close to Japan that the race, language, and customs are almost identical with those of the Japanese, so that the emigration policy is based on geographical as well as political and social reasons. Nevertheless, it has been lightly assumed that Japan must find fresh room for expansion overseas. The American coastline, Australia, the Philippines, each and all have been named as objects of Japanese ambition. How is the situation faced in Japan itself?

One fact, which has been overlooked by most commentators, is that Japan possesses in the sea area surrounding her coasts and those of her colonies, a large field for the employment of her surplus labouring population. Men from the villages, who have been working in the cities and towns, return to the coast if they are out of a job, and become fishermen or sailors. The Japanese are seamen by training and tradition and take naturally to these occupations, so that the farm hand is quite at home on the sea and only becomes a factory worker of necessity and not of inclination.

Obviously, however, this asset, great though it is, will not provide a complete solution, but Japan believes that the answer to the population problem is to be found in a

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policy of intensified industrialisation within her own borders—in other words, she must have the means of supporting her population within the boundaries of Japan proper and her adjacent colonies. Germany was able to support her population by industrialising the country before the war, and Japan believes she can accomplish the same task in the future.

Therefore, the necessity of finding the means of carrying out this industrialisation policy is the one with which Japan is confronted, and to meet her need she must have access to those raw materials and to those food supplies which lie near to her hand on the Asiatic Continent. If these can be made accessible to Japan, her emigration problem will be solved, not, as people in America have been suggesting, by sending forth Japanese colonists to any and every country within reach, whether they are desired there or not, but by the means which are far more congenial to the Japanese Government and to the people of Japan—namely, by enabling the surplus population to support life under decent conditions in their own country by developing home industries and thus providing employment.

### III. THE OPEN DOOR IN CHINA

AS above mentioned, the source of food supplies and of raw materials can be found to a large extent in China, and it is towards this country that Japan turns her eyes inevitably when seeking a solution of what is to her a life-and-death problem.

Some Press organs in America, and quite a number of individuals as well, have declared that Japan desires to pursue the commercial policy of the "closed door" in China as well as a policy of political control. This is not the case: what Japan desires is to buy in China the essential and vital supplies for her national existence in fair and open trade, and she fails to understand why this should be interpreted as a selfish policy, as it interferes in no way

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with America's desire to find in China a ready opportunity for the disposal of her surplus manufactures.

There is in practice no material trade rivalry between the United States and Japan in China. First, for the reasons already stated, that Japan is chiefly a buyer, whereas America is a seller ; moreover, even in cases where both are sending goods to the Chinese market, the class of goods exported from Japan is entirely different from that sent by the United States, the latter exporting oil, motor-cars, railway engines and other machinery, while Japan exports cotton yarn, cotton piece goods, matches and a large quantity of marine products.

It is in the interest of both countries to keep the trade door wide open, and the American suspicion that Japan, geographically and in actual fact, is a natural barrier opposed to the passage of American trade to China is based upon a misconception of facts.

President Harding, when he summoned the Washington Conference, rightly conceived that the problem of the Pacific was indistinguishable from the problem of the future of China. China is the sole country bordering on the Pacific in the Far East which possesses an enormous population and great natural resources. America has come to regard Japan as having predatory intentions towards China, and this idea has been to some extent adopted by other Powers. It cannot, therefore, be over-emphasised that Japan is anxious that all nations shall be given equal opportunity with herself in stimulating the development of China. The preservation of the common interests of all the Powers and the principle of equal opportunities for the commerce and industry of all nations in China has been from the first the guiding purpose of the Anglo-Japanese Alliance, which it is common knowledge Japan is willing and even anxious to keep in existence. America, it may be recalled, has not always shared this view of the Open Door and has made more than one attempt to monopolise herself various undertakings in China, though

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almost invariably with disastrous results. To take only two instances : her control of important railways in China and of oil undertakings in Shansi resulted in financial loss, and even more recently there is a general complaint on the part of American traders that they have experienced a serious set-back and are losing money. Some of these disappointments are undoubtedly due to over-expectation of rapid returns from trade with a notoriously rich and undeveloped country like China. The exploitation of their own vast resources at home has encouraged a mistaken belief in the facility of making commercial fortunes in the East. British and Japanese merchants, with longer experience, are aware that much patient effort is necessary to build up prosperous and lasting connections in China. There will be less room for jealousy on the part of America of British or Japanese commercial successes in China when American expectations of easy exploitation are modified.

### IV. THE NAVIES IN THE PACIFIC

THE Washington Conference was ostensibly called to discuss disarmament. The peoples of the world look to it still to bring relief from the crushing costs of navies and armies and from the constant apprehension of war which follows from their maintenance. It is accepted—perhaps too optimistically—that the late war has removed the possibility of serious conflict in Europe or in the Atlantic. With one accord publicists have declared that the sole danger zone of the future lies in the Pacific. The implication, always present, though not always so bluntly expressed, is that Japan, fortified by her alliance with Great Britain, is spoiling for a great campaign of aggression. Against whom? Hardly against Britain, her Ally. Against America? The Alliance, by its terms, at once becomes valueless, even if, with the known Anglo-American rapprochement, it does not become a menace. Against China?

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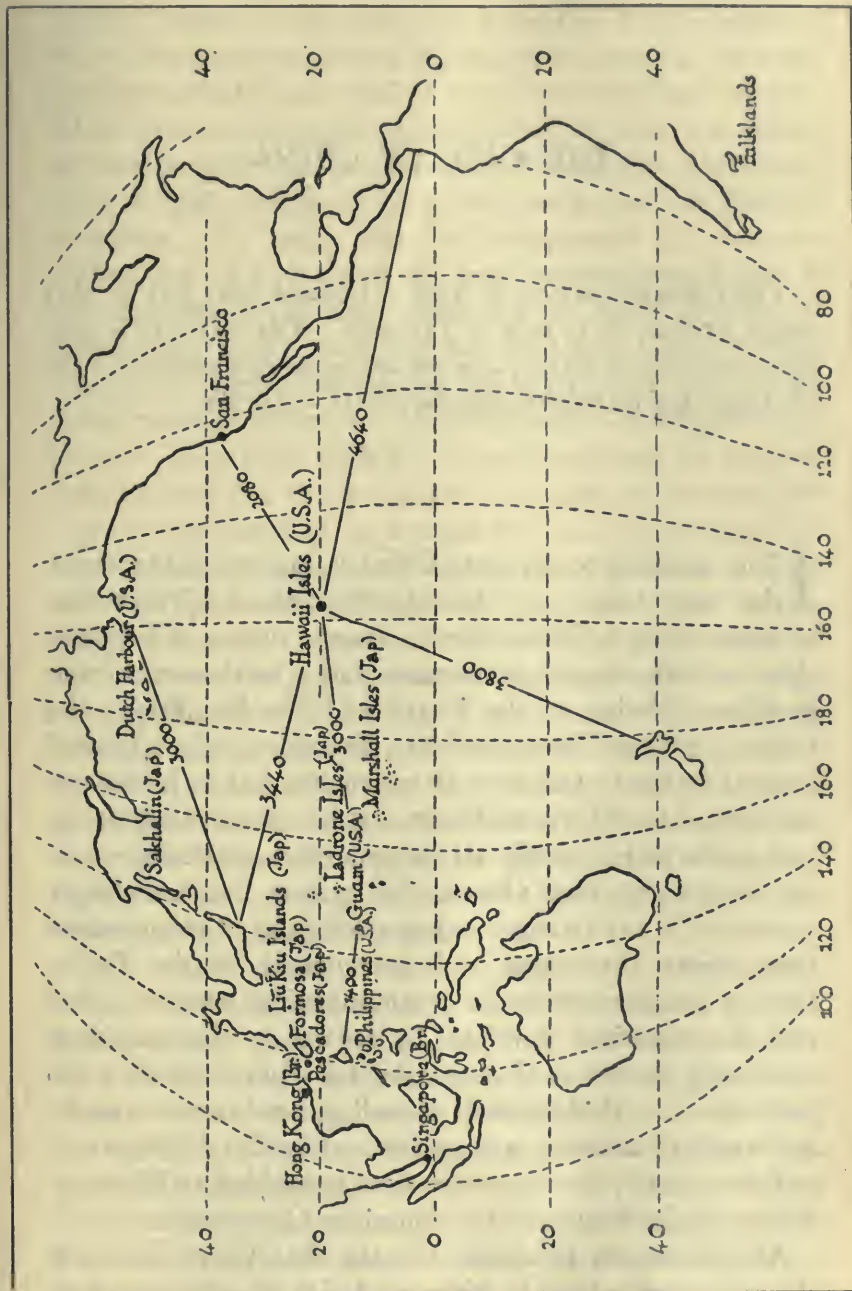
Again Anglo-American co-operation renders the suggestion foolish as soon as uttered.

The Japanese public inverts the questions and surely not without reason. America announces an enormous naval programme. Why? If the far more modest Japanese programme is aggressive, against whom is the great American navy of the future to be employed? What is behind the vehement protests in America against the Anglo-Japanese Alliance, qualified as it is by the specific engagement that it is unavailing to Japan against America? That at the very utmost it might ensure to Japan, in the unhappy event of such a conflict, a British neutrality? It is difficult for Japanese to find answers to these questions.

The geographical fact, apparent enough to Japan, though less esteemed elsewhere, is that, while both for Britain and America the assurance of a free Pacific is of high importance, for Japan it is vital. Japan is wholly in the Pacific. America and the British Empire have fronts only on the Pacific. Aggressive naval action by Japan against either America or the British Dominions is in Japan itself frankly regarded as preposterous. Japan will welcome a naval understanding, as much to free her from apprehension, as from an intolerable financial burden. Many of her publicists are urging the desirability of scrapping the big ship and the big gun altogether if the other Pacific navies will do the same. Opposition to a naval limitation will not come from Japan.

NOTE.—Since this article was written, bad news has reached us from Tokyo. Mr. Hara, the Prime Minister of Japan, whose strong support of the idea of a Conference at Washington was one of the most hopeful signs in the situation, has fallen by the hand of an assassin. It is, however, we are asked to add, the conviction of the writer that Mr. Hara's policy will live on, and that the tragedy of his removal before he could, in person, bring it to fruition will in no way affect the attitude of the Japanese representatives or the success of the Conference. Nor does the writer desire, as a result of Mr. Hara's death, to alter any of the statements or views expressed in this article.—EDITOR.

# The Naval Situation in the Pacific



## THE CASE OF CHINA

*The following article is from a Chinese pen, just as that which precedes it is from a Japanese. The object is to give the standpoint of China, and we are in no way responsible for the views and statements contained in it.—EDITOR.*

### I

IT is needless to say that China is highly satisfied with the step taken by the United States Government in summoning a Conference to discuss means of bringing about a limitation of armaments and a settlement of the problems relating to the Pacific and the Far East. She is not a military Power and has, therefore, only a limited interest in the question of disarmament, but as her shores are washed by the Pacific Ocean and her people emigrate to and reside in practically all the countries bordering on or surrounded by that Ocean, she cannot but feel deeply concerned in any arrangement or attempt at an arrangement that affects the status and government of the Pacific Islands and the means of communication between them and the maritime powers. In regard to the questions commonly known as those of the Far East, it is only too plain that her vital interest, as well as her future status in the family of nations, may be affected by the deliberations and decisions of the representatives assembled at Washington on the invitation of the American Government.

At the outset, it should be said that China does not come to the Conference with any desire of self-aggrandise-



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ment. She will not call upon it to grant her any concession which is inconsistent with the maintenance or indeed the extension of the legitimate commercial interests that have already been acquired by the Powers on her territory. There are, nevertheless, certain general principles which she hopes their representatives at Washington will always bear in mind whenever they deal with the Far Eastern questions. To begin with, it is important for them to realise that as a result of her pacifist traditions, China is not and has never been prepared to fight against an external foe. As is shown by her wars with Great Britain, France and Japan during the last sixty years, she can be easily made a victim to superior force. Attempts have, however, been made by her to organize an army for national defence, but with the intricacies of modern warfare and the extensive application of science to it, it is beyond her capacity, at any rate for many years to come, to meet a well equipped and well trained army on equal terms. Under these circumstances, it is not only unjust but also unchivalrous for any Power to attempt to exact concessions from her with a threat of arms, as has unfortunately been the case in the past. It is indeed desirable that the Powers represented at the Conference should solemnly agree that hereafter no threat of force will be employed to coerce the Chinese in diplomatic and commercial negotiations, so that they may be relieved once for all of fear and anxiety about external danger.

As a consequence of such an agreement—its success indeed would depend upon it—it is important that the Powers should give a pledge that they will on no account allow themselves to interfere with the internal politics of China. As a sovereign state, she is entitled to settle her own destiny, and in the interest of peace it is wise for them to respect the national conscience of the Chinese. The Chinese as a people are sensitive and resent foreign control. They are ready to defend their honour with passive resistance, even if they are devoid of military strength. It

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is true that the existing unsettled condition of the country affords those who desire expansion at its expense an excuse for intervention, but such a condition is only an unfortunate but inevitable consequence of the revolution and will soon become a thing of the past. To the student of Chinese history, it is well known that every change of dynasty there is followed by many years of unrest, and a revolution that overthrew a monarchy four thousand years old and established a new republic must necessarily have more serious consequences. Revolutions in other countries have often been followed by disturbance of longer duration and greater violence than that of China, and if they have not been subjected to foreign intervention on that account, there is no reason why China should be treated differently.

### II

**A** PART from the above considerations, there is the question of adjusting her relations with Japan. It is asserted by some responsible Japanese that, as the area of Japan is limited and her population increasing, it becomes necessary that she should be allowed to expand into Manchuria and Mongolia, which are themselves thinly populated. The necessity is, according to them, all the more urgent in view of the fact that the door to uninhabited areas in other parts of the world is closed to them. China has, of course, no desire to discriminate against the Japanese, but before she considers the possibility of admitting them as settlers in her north-eastern provinces, she wants to be clear about the real position in Japan. It is true that according to the Japanese official census, there has been an annual increase in population of 12 per 1,000 during the last few years, but it is difficult to believe that, given an area in Japan proper of 148,756 square miles, it cannot hold her present population of 55,961,000. The density of popula-

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tion in Japan is lower than that of most other industrial states, as the following table shows :

### DENSITY OF POPULATION PER SQUARE MILE

Belgium .. .. .	665 (census 1919)
England and Wales .. .. .	649 ( „ 1921)
Holland .. .. .	536 ( „ 1920)
Japan .. .. .	377 ( „ 1920)

Allowing for the fact that the ratio of the inhabitable to the total area in Japan is smaller than in England or Belgium, one must not lose sight of the difference in the standard of living between the East and West, which makes it possible for the same area to hold more people in Japan than in America or Western Europe. It is, in fact, maintained by some authorities that Japan can accommodate another two or three million people when industrialism is as advanced there as in Western Europe.

So much for Japan proper only. But Japan is now a colonial Power and possesses vast and important colonies, such as Korea, Formosa and Sakhalien. Their areas and populations may be tabulated as follows :

	Area in square miles	Population in 1920	Density of population
Korea .. .. .	84,738	17,284,297	204
Formosa .. .. .	13,944	3,654,398	262
Sakhalien .. .. .	13,255	105,763	7.98

It will be seen that the populations in these colonies are far from large and, if properly developed, they could accommodate a considerable number of people from Japan. So far as can be seen, the difficulty of Japan is not an absence of accommodation for her people but their unwillingness to go and settle in regions that have not been already developed on modern lines. They like, as a matter of fact, to stay in regions where they can enjoy modern conveniences and take advantage of the facilities already provided for them. They are willing to go and settle in countries where they

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can easily get rich, but the work of a pioneer does not attract them. That these statements are correct may be proved by the fact that, in spite of various restrictions, there is an annual influx of a considerable number of Japanese into California and Australasia, which are both highly developed, whereas very few Japanese emigrate into their own Colonies which are undeveloped. In 1920 there were only 150,000 Japanese in Korea, 21,000 in Formosa and 73,000 in Sakhalien. In these three colonies there are altogether less than 250,000 Japanese, of whom the vast majority are officials or soldiers and not settlers. If these colonies do not attract the Japanese, it is not at all likely that Manchuria and Mongolia, if and when opened by China to their settlement, will be made by them their permanent home.

Let us now take the case of Manchuria itself. That part of the province which is generally known as the Kwantung Peninsula has been under the control of Japan ever since the conclusion of the Russo-Japanese war in 1905, and all the railways, mines and wharves situated therein have been used by the Japanese; and yet in 1920 there were only 139,000 Japanese there of whom the preponderating majority are Government and railway employees. If the process of colonization in South Manchuria for the past fifteen years has produced so poor a result, there is no reason to expect that the opening up of other parts of Manchuria to foreign settlement will solve for Japan the so-called question of population.

It is the belief of people in China that the problem confronting Japan is not to find a place in the sun but to promote trade. She has already developed herself to such an extent that she depends very largely on foreign countries for the supply of raw materials and for a demand for her manufactured goods. China, being near to her and possessed of rich natural resources, appeals to her as a reservoir of raw material, and with a population estimated at 400,000,000 is destined to become one of her best customers.

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Such being the case, Japan need not be anxious. China has long discarded her policy of isolation and has now fully realised that she owes it to all the Powers, including Japan, to supply them with all kinds of materials that she can produce. Ever since the beginning of the last century, she has endeavoured to introduce western science and methods of production. With the progress of time, her efforts will no doubt bear more handsome fruits than they do at the present time, and it is her wish that Japan should be admitted to the benefits of these fruits on the same terms as are accorded to other Powers. She will not prohibit any of her exports from being shipped to Japan unless it is for the sake of self-protection, and she will grant to Japanese merchants the same facilities as are enjoyed by those from other countries.

The vital interest of China as well as her treaty relation with the Powers generally does not permit her to discriminate against any particular state or to grant it privileges which cannot be extended to other states. In consequence, it becomes an obligation on the Chinese Government not only to repudiate the claim of Japan for an exclusive right of expansion in Manchuria and Eastern Mongolia, but also to view apprehensively the situation already created by her in these two regions. It is true that she has the right to enjoy those privileges which were once granted by China to Russia and transferred to her in 1905, but in the fifteen years that have passed since then, she has violated many treaties and overstepped the limit originally set to the Russians. Without any authorization, legal or otherwise, she has stationed troops and established police boxes in many districts outside the territory held by her under lease. In commerce, she exercises supreme control over the South Manchurian Railway and, utilising the position thereby created, she accords preferential treatment to her own subjects in regard to accommodation and freight. Moreover, her claim not to allow China to build a line parallel to it unless it is with Japanese capital, has virtually

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led to an exclusion of Manchuria from the financial and commercial enterprise of other Powers. To consolidate her interest, she forced China in May, 1915, by the threat of an ultimatum, to grant her the right to purchase land and exploit a few specific mines not only in Manchuria, but also in its adjoining province of Eastern Mongolia. Indeed, if the existing situation is tolerated, it is difficult to comprehend how Japan will reconcile her action with the principle of the open door and equal opportunity which she has solemnly endorsed in her treaty of alliance with Great Britain and in the agreement she signed with the United States in 1908.

It is therefore hoped that it will fall upon the Conference to examine the situation of China in this respect and see whether the principle has not been violated. If, as reported in the Press, it is the desire of the representatives to reaffirm this principle, it is also hoped that they will find some means by which its observance may be ensured and any breach brought to the notice of the Governments concerned.

Another question that is likely to be discussed at Washington is the dispute between China and Japan over the possession of the Kiaochou Bay, in the province of Shantung, which was formerly leased to Germany but captured by Japan in November, 1914. It will be recalled that at the Peace Conference sitting in Paris, the Chinese Delegates submitted a request for direct restoration to China of the leased territory, together with other rights and privileges granted to Germany. The decision of that Conference not to restore them to China but to transfer them to Japan, made the Chinese refuse to sign the Treaty of Versailles. On September 7, 1921, the Japanese Government approached China with the proposal to restore them to her under certain conditions, but it was rejected by China on the ground that as she abrogated all her treaties with Germany, including that of 1898, which granted her the lease, when she declared war on her in August 15, 1918,

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she considers the lease revoked automatically on that date. "There can now no longer be any question of leasehold." Moreover, as the treaty of 1898 denies Germany expressly the right to sublet the leased territory, it is not within her competence to transfer or surrender it to a third Power. The implied condition of this limitation on the right to transfer is that the territory is not liable to attack, so long as China remains neutral, as she was in 1914. The attack by Japan in that year is in fact illegal and her occupation of Kiaochou since then unwarranted. Inasmuch as China was one of the Allies in the War and helped them very handsomely by her man power and raw materials, she is entitled to a direct and unconditional restitution of the rights lawfully belonging to her. It is the earnest desire of China to have the dispute settled at the earliest possible time, and there is every reason to expect that the Conference which offers her the opportunity of discussing the matter with the Powers, will be able to suggest a solution which will at once satisfy the aspirations of the Chinese and protect the legitimate interests of all the Powers, including those of Japan.

### III

THE Conference will not be a complete success so far as the Far Eastern questions are concerned if it comes to an end before it has considered and agreed upon the conditions under which China might be helped in her efforts to develop her own resources. Granted the political security that will be provided by a recognition of the principles outlined at the beginning of this article and relieved of her difficulties with Japan, China should be allowed to regain her fiscal autonomy and to increase her tariff rate as she thinks fit, so that she may have the withal to carry out various reforms. She should not be denied the privilege of buying in the cheapest market, when, for

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instance, she places orders abroad for steel rail and rolling stock. Above all, it is only fair from the point of view of finance and commerce that, whenever she wants a railway built, she should be free to choose the market in which to float loans and not be bound by the claim of priority held by a foreign Power in the districts through which the projected railway will pass.



## IRELAND

### I

LAST quarter the chief duty, writing about Ireland, was restraint, and it is the same to-day. Much must be left unsaid, and what is said in the main confined to narrative. When our September article was written the truce was still young and hope strong in both islands. The cloud that hung so long over Dublin had gone as if by magic. The atmosphere was that of a city relieved after a long siege. The memory of what had recently been was so poignant that people on both sides of St. George's Channel shut it out of their minds like a bad dream. They refused even to contemplate the possibility of a return to it. It was very generally taken for granted that by entering into negotiations both sides alike had shown themselves determined to arrive at a settlement which their respective peoples could accept. To-day this first bloom has gone. But the wonder is, not that hope burns with a less steady flame, but that it has survived at all. At times it has seemed a mere flicker at the mercy of the next rude gust. For the greater part of the quarter the barometer has shown a tendency to fall.

This tendency has been peculiar to neither island, though the Irish temperature chart naturally shows steeper zig-zags, both above and below normal, than our own, for in one sense they have more immediately at stake. In both cases, however, the change was marked by well-defined steps. The first came with Mr. de Valera's rejection in August of the British proposals. To exaggerate the impression which it left would be easy. Disappointment there admittedly was, but it entirely failed to kill the

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prevalent optimism, and in Ireland the effect was soon thrown off. For this there were two main reasons. In the first place the rejection was nowhere taken as final, and in the second the public, notwithstanding the fact that Mr. Lloyd George and Mr. de Valera had already had a number of interviews, began at an early stage to put all its hopes upon a conference. So strong indeed did this feeling become that the real issues attracted comparatively little attention, especially in Ireland, where the public attitude was that of parties to some ancient lawsuit, who have washed their hands of the whole business and left it to their lawyers to settle. Nor was there any murmur worth mentioning at an issue of supreme importance being dealt with by the Dail behind closed doors. General Smuts' letter,\* which was published the day before the British proposals, was, it is true, universally discussed. In Ireland there was satisfaction that so generous an interpretation should have been placed on the proposals by so distinguished an authority, and the Government was felt to be committed to the same view by publishing it, though the manner and time of its publication were much criticised. Some even considered that the General's influence in Ireland for future mediation had in consequence been destroyed. Generally speaking, however, the period of the truce was, as the correspondent of the *Manchester Guardian* noted on October 6, marked by less political agitation over the biggest things than before. In both countries people were longing for peace. There was a general conviction that, if only their representatives could meet across a table, they would secure it, and the farther apart the two sides drifted over the letters and telegrams of August and September the stronger this confidence became. Nor was it shaken by uncompromising or unconciliatory letters and speeches. The hopeful passages were seized upon and a reason always found to explain away the others. Even the

\* General Smuts' letter, which was dated August 4, will be found appended to our September article on Ireland (THE ROUND TABLE, No. 44, p. 793).

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deadlock that followed Mr. Lloyd George's despatch of September 15, cancelling the Conference at Inverness, failed to upset it. In England the Prime Minister's action, in making it clear that he would not recognise Irish delegates as representatives of an independent sovereign state, was generally approved, and it nowhere excited surprise. Nevertheless, if the negotiations had ended there, the Government would have been blamed, because the deadlock was looked upon as a matter of technicalities, and when the Conference was at last arranged there was almost universal relief. Everyone was tired of lawyers' letters. Then comes a paradox. No sooner had the Conference, for which both peoples had so long yearned, fairly started its work than a tendency to despondency set in, which was particularly marked across the Channel. The paradox is, however, only apparent, for when both sides were at last up against the real difficulties it was realised with a shock that nothing, as Mr. Churchill put it, now stood between us and a rupture except the Conference. Nor could people any longer close their eyes to the consequences of a rupture. They were pointed out by British Ministers on more than one public platform.

Then one October evening came Mr. de Valera's telegram to the Pope. Faith for a moment had to take the place of hope. But optimism soon began to creep back, and to-day, in spite of every setback, it is rapidly gaining strength again.

## II

SUCH has been the attitude of ordinary people, of the great body of Irishmen and the great body of Englishmen who, as the Prime Minister said, if they disregarded the extremists and thought only of the external interests of their two countries, would agree upon a settlement. But what about the extremists themselves? In Ireland, we are constantly told, no other opinion counts for the

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moment, and on our own side of the Channel, was there not only the other day a revolt of forty-three Unionist Members of Parliament? To the latter we will return in a later section. In the present one the correspondence and main events leading up to the Conference will be described. And from them the reader must glean what he can as to the mind of the Irish leaders, and whether their written and spoken utterances represent their own views or, as is sometimes suggested, those of some other body in the background. Sometimes, too, a glimpse is given us of the background. For material of this kind we are driven back to this earlier stage, for once the Conference began, the negotiations were carried on behind closed doors.

Our September number went to press at the moment of the publication of Mr. Lloyd George's proposal that Ireland should assume Dominion status limited by certain conditions, and its rejection by the Dail. The correspondence was appended to our September article, and it is at this point that the thread of the narrative must be taken up.

The reason for the conditions attached by Mr. Lloyd George to his offer will be found in his letter of July 20. The conditions themselves were in effect as follows:—

1. The control of the seas around both islands was to be under the Royal Navy alone, and such rights and liberties were to be accorded it by the Irish state, as are essential for naval purposes, in Irish harbours and on the Irish coast.

2. The Irish Territorial force was, within reasonable limits, to conform in respect of numbers to the military establishment in other parts of these islands.

3. Facilities for the development of defence and of communications by air were to be granted.

4. A hope was expressed that Ireland would voluntarily contribute in proportion to her wealth to the army, navy and air service, and permit recruitment.

5. Free trade between the two islands was to be assured by a treaty.

6. Ireland was to assume responsibility for a share of our present debt and the liability to pensioners, the amount, failing agreement,

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to be assessed by an independent arbitrator within the British Empire.

The settlement allows "for full recognition of the existing powers and privileges of Northern Ireland which cannot be abrogated without their consent," though the Government would welcome the day when Irish unity should be arrived at by co-operation. It would undertake to give effect, so far as that depended on it, to any terms in this respect on which all Ireland unites.

Whether the powers offered were to be assumed by Ireland as a single unit or as two, and whether, if as two, there was to be any connecting link, was to be decided by Southern and Northern Ireland.

In a subsequent letter, dated August 13, it was made clear that no right of secession would pass to Ireland.

After this letter, which expressed the Prime Minister's willingness to discuss the application of the principles of his proposals in detail if the principles should be agreed to, there was an interlude of nearly a fortnight, during which the Dail considered their reply in secret. In the outside world the proposals had a most favourable reception. In the Federal Senate of Australia, Senator Lynch considered that General Smuts' recommendation should be accepted. The Senator confessed that he himself had been brought up to hate the Union Jack as an emblem of tyranny, but experience had compelled him to recognise it as the guardian of liberty, freedom and justice. In England the Government's action won the approval of both Labour and Liberals. In Ireland, too, the effect was considerable—Lord MacDonnell was surprised and delighted. Parnell himself, he remarked, had never raised the question of fiscal autonomy. It was at this time commonly believed that there would be a referendum, but he did not consider the atmosphere favourable for free and undisturbed voting, though, if it had been, he believed there would be an enormous majority for Dominion Home Rule.

On August 16 the Dail held its first public meeting at the Dublin Mansion House, and an oath of allegiance was taken to the Irish Republic. Members were summoned

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from Northern Ireland as well as from the 26 counties, but it was noticed that "Nationalists" like Mr. Devlin were absent. There were speeches by Mr. de Valera on two successive days which seemed to justify the following inferences. For Sinn Fein Irish independence and freedom were the essentials, "they were not republican doctrinaires." By the proposals, they said, real Dominion status was not offered at all, and it was in any case impracticable for a country so near to England as Ireland. Since partition, too, there was no Ireland to offer the status to, "only two broken pieces." They were not against an association with the British Empire, which left them arbiters of their own interests. Great sacrifices would be made to win North-East Ulster, whose freedom to take her own standpoint was admitted. A week or two later Mr. de Valera told a French newspaper representative that he would give Home Rule to the Ulster people, and compensate any who chose to remove to England.\*

On August 26 the Dail again sat in public, and re-elected its Ministry. Speeches were again made by Mr. de Valera and by Mr. Michael Collins, who moved to raise a new Irish loan of £500,000 and an American one of \$2,000,000. At noon, by pre-arrangement, the following letter, which had already been despatched to the British Government, was made public:—

*August 24, 1921.*

The Right Hon. D. Lloyd George,

SIR,—The anticipatory judgment I gave in my reply of August 10 has been confirmed. I laid the proposals of your Government before Dail Eireann, and, by an unanimous vote, it has rejected them.

From your letter of August 13 it was clear that the principle we were asked to accept was that the "geographical propinquity" of Ireland to Britain imposed the condition of the subordination of Ireland's right to Britain's strategic interests as she conceives them, and that the very length and persistence of the efforts made in the past to compel Ireland's acquiescence in a foreign domination imposed the condition of acceptance of that domination now.

\* Mr. de Valera's words, as reported in the Press, were that his government "would give Dominion Home Rule" to those (Ulstermen) choosing Ireland.

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We cannot believe that your Government intended to commit itself to a principle of sheer militarism destructive of international morality and fatal to the world's peace. If a small nation's right to independence is forfeit when a more powerful neighbour covets its territory for the military or other advantages it is supposed to confer, there is an end to liberty. No longer can any small nation claim a right to a separate sovereign existence. Holland and Denmark can be made subservient to Germany, Belgium to Germany or to France, Portugal to Spain. If nations that have been forcibly annexed to empires lose thereby their title to independence, there can be for them no re-birth to freedom.

In Ireland's case, to speak of her seceding from a partnership she has not accepted, or from an allegiance which she has not undertaken to render, is fundamentally false, just as the claim to subordinate her independence to British strategy is fundamentally unjust. To neither can we, as the representatives of the nation, lend countenance. If our refusal to betray our nation's honour and the trust that has been reposed in us is to be made an issue of war by Great Britain, we deplore it. We are conscious of our responsibilities to the living as we are mindful of principle or of our obligations to the heroic dead. We have not sought war, nor do we seek war, but if war be made upon us we must defend ourselves and shall do so, confident that whether our defence be successful or unsuccessful no body of representative Irishmen or Irishwomen will ever propose to the nation the surrender of its birthright.

We long to end the conflict between Britain and Ireland. If your Government be determined to impose its will upon us by force and, antecedent to negotiation, to insist upon conditions that involve a surrender of our whole national position and make negotiation a mockery, the responsibility for the continuance of the conflict rests upon you. On the basis of the broad guiding principle of government by the consent of the governed, peace can be secured—a peace that will be just and honourable to all, and fruitful of concord and enduring amity. To negotiate such a peace, Dail Eireann is ready to appoint its representatives, and, if your Government accepts the principle proposed, to invest them with plenary powers to meet and arrange with you for its application in detail.—I am, Sir, faithfully yours,  
(Signed) EAMON DE VALERA

The British reply was received in the afternoon, and published the same day :—

*August 26, 1921.*

SIR,—The British Government are profoundly disappointed by your letter of August 24, which was delivered to me yesterday.

You write of the conditions of a meeting between us as though no

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meeting had ever taken place. I must remind you, therefore, that when I asked you to meet me six weeks ago I made no preliminary conditions of any sort. You came to London on that invitation and exchanged views with me at three meetings of considerable length.

The proposals which I made to you after those meetings were based upon full and sympathetic consideration of the view which you expressed. As I have already said, they were not made in any haggling spirit. On the contrary, my colleagues and I went to the very limit of our powers in endeavouring to reconcile British and Irish interests.

Our proposals have gone far beyond all precedent, and have been approved as liberal by the whole civilised world. Even in quarters which have shown a sympathy with the most extreme of Irish claims they are regarded as the utmost which the Empire can reasonably offer or Ireland reasonably expect.

The only criticism of them which is yet heard outside Ireland is from those who maintain that our proposals have outstepped both warrant and wisdom in their liberality. Your letter shows no recognition of this, and further negotiations must, I fear, be futile unless some definite progress is made towards acceptance on basis.

You declare that our proposals involve a surrender of Ireland's whole national position and reduce her to subservience. What are the facts? Under the settlement which we have outlined Ireland would control every nerve and fibre of her national existence; she would speak her own language and make her own religious life; she would have complete power over taxation and finance, subject only to an agreement for keeping trade and transport as free as possible between herself and Great Britain, her best market; she would have uncontrolled authority over education and all the moral and spiritual interests of her race; she would have it also over law and agriculture; over the conditions of labour and industry; over the health and homes of her people, and over her own land defence.

She would, in fact, within the shores of Ireland, be free in every aspect of national activity, national expression, and national development. The States of the American Union, sovereign though they be, enjoy no such range of rights. And our proposals go even further, for they invite Ireland to take her place as a partner in the great Commonwealth of Free Nations, united by allegiance to the King.

We consider that these proposals completely fulfil your wish that the principle of "government by consent of the governed" should be the broad guiding principle of the settlement which your plenipotentiaries are to negotiate. That principle was first developed in England, and is the mainspring of the representative institutions which she was the first to create. It was spread by her throughout the world, and is now the very life of the British Commonwealth.



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We could not have invited the Irish people to take their place in that Commonwealth on any other principle, and we are convinced that through it we can heal the old misunderstandings and achieve an enduring partnership as honourable to Ireland as to the other nations of which the Commonwealth consists.

But when you argue that the relations of Ireland with the British Empire are comparable in principle to those of Holland or Belgium with the German Empire, I find it necessary to repeat once more that those are premises which no British Government, whatever its complexion, can ever accept. In demanding that Ireland should be treated as a separate, sovereign power, with no allegiance to the Crown and no loyalty to the sister nations of the Commonwealth, you are advancing claims which the most famous national leaders in Irish history from Grattan to Parnell and Redmond have explicitly disowned.

Grattan in a famous phrase declared that—

“The ocean protests against separation and the sea against union.”

Daniel O'Connell, the most eloquent perhaps of all spokesmen of the Irish National cause, protested thus in the House of Commons in 1830:—

“Never did monarch receive more undivided allegiance than the present King from the men who in Ireland agitate the Repeal of the Union. Never, too, was there a grosser calumny than to assert that they wish to produce a separation between the two countries. Never was there a greater mistake than to suppose that we wish to dissolve the connection.”

And in a well-known letter to the Duke of Wellington in 1845, Thomas Davis, the fervent exponent of the ideals of Young Ireland, wrote:—

“I do not seek a raw repeal of the Act of Union. I want you to retain the Imperial Parliament with its Imperial power. I ask you only to disencumber it of those cares which exhaust its patience and embarrass its attention. I ask you to give Ireland a Senate of some sort selected by the people, in part or in whole levying their Customs and Excise and other taxes; making their roads, harbours, railways, canals and bridges; encouraging their manufactures, commerce, agriculture and fisheries; settling their poor laws, their tithes, tenures, grand juries and franchises; giving a vent to ambition, an opportunity for knowledge; restoring the absentees, securing work and diminishing poverty, crime, ignorance and discontent. This, were I an Englishman, I should ask for England besides the Imperial Parliament. So would I for Wales were I a Welshman, and for Scotland were I a Scotchman. This I ask for Ireland.”

The British Government has offered Ireland all that O'Connell and Thomas Davis asked, and more, and we are met only by an

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unqualified demand that we should recognise Ireland as a foreign Power.

It is playing with phrases to suggest that the principle of "government by consent of the governed" compels a recognition of that demand on our part, or that in repudiating it we are straining geographical and historical considerations to justify a claim to ascendancy over the Irish race.

There is no political principle, however clear, that can be applied without regard to limitations imposed by physical and historical facts. Those limitations are as necessary as the very principle itself to the structure of every free nation: to deny them would involve the dissolution of all democratic states.

It is on these elementary grounds that we have called attention to the governing force of the geographical propinquity of these two islands and of their long historic association, despite great differences of character and race. We do not believe that the permanent reconciliation of Great Britain and Ireland can ever be attained without a recognition of their physical and historical interdependence, which makes complete political and economic separation impracticable for both.

I cannot better express the British standpoint in this respect than in words used of the Northern and Southern States by Abraham Lincoln in the first inaugural address. They were spoken by him on the brink of the American Civil War, which he was striving to avert.

"Physically speaking (he said) we cannot separate. We cannot remove our respective sections from each other, nor build an impassable wall between them. . . . It is impossible then to make that intercourse more advantageous or more satisfactory after separation than before. . . . Suppose you go to war, you cannot fight always, and when, after much loss on both sides and no gain on either, you cease fighting, the identical old questions as to terms of intercourse are again upon you."

I do not think it can be reasonably contended that the relations of Great Britain and Ireland are in any different case.

I thought I had made it clear both in my conversations with you and in my two subsequent communications, that we can discuss no settlement that involves a refusal on the part of Ireland to accept our invitation to free, equal and loyal partnership in the British Commonwealth under one sovereign.

We are reluctant to precipitate the issue, but we must point out that a prolongation of affairs is dangerous. Action is being taken in various directions which, if continued, would prejudice the truce and must ultimately lead to its termination. This would indeed be deplorable. Whilst, therefore, prepared to make every allowance as to time which will advance the cause of peace, we cannot prolong a

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mere exchange of notes. It is essential that some definite and immediate progress should be made towards a basis upon which further negotiations can usefully proceed. Your letter seems to us unfortunately to show no such progress.

In this and my previous letters I have set forth the considerations which must govern the attitude of his Majesty's Government in any negotiations which they undertake. If you are prepared to examine how far these considerations can be reconciled with the aspirations which you represent I shall be happy to meet you and your colleagues.

I am, Sir,

Yours faithfully,

(Signed) D. LLOYD GEORGE.

Eamon de Valera, Esq.

The British letter was discussed again in secret by the Dail, which adjourned on the 28th *sine die*.

Meanwhile, Mr. Lloyd George had been pointing out at Barnsley that—

Severance from Great Britain would leave in Ireland itself the most cruel and terrible civil war that Ireland had ever seen. And help would rush in from all sides from every part of the world to assist the parties who were fighting out the battle. We cannot (he added) witness a civil war of that kind at our own door, which would involve our own people throughout the Empire, and other people as well.

The month closed with a stormy week-end at Belfast. In three days seventeen people were killed and ninety wounded. Sinn Fein have not hesitated to place the responsibility for this and other outbreaks of the kind upon the British Government. "British politicians and statesmen have their hand," said Dr. Eoin MacNeill, "on the main switch of Belfast fanaticism." He considered that Mr. Lloyd George's words at Barnsley would be interpreted as an incitement, and that Mr. Lloyd George knew it. The I.R.A. liaison officer at Belfast accused the police on this occasion of connivance with the Orangemen, and the military of holding back until he himself called out the I.R.A. The newspapers differ as to whether Protestants or Catholics began the affair. It is, however, needless

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to say that the real cause lies far deeper than the first shot. It must be looked for in the permanent conditions. Where such inflammable material as is found in Belfast exists a match is enough, when feeling runs high, to cause a conflagration at any moment. In the same way wild accusations spring naturally from a permanent distrust, the strength of which it is hard for us to realise on this side of the Channel. To Englishmen it seems absurd that the British authorities, whose one desire is peace, should be accused of encouraging such outbreaks. Troubles of this kind show, at all events, that the present situation could not be continued for long without grave danger. And yet Mr. William O'Brien wrote at this very juncture to *The Times* to suggest that things were going on so well under the truce, that all we had to do was to continue it indefinitely—and apparently the Irish question would settle itself.

About this time a series of incidents took place which, trifles in themselves, may nevertheless throw some light on the position of Irish Labour. Sinn Fein and the Roman Church are not the only powers in the land. The influence of Labour under the able leadership of Mr. Johnston, himself a stranger from England, has steadily been growing. There are few industries other than agriculture outside Ulster, but a hold is being got on the agricultural labourer class, the largest in the country. According, indeed, to a statement in the *Westminster Gazette* of October 24, their influence is extending even to Belfast, where seamen are said to be joining the Irish Transport and General Workers' Union. Rightly or wrongly Irish Labour is credited with holding more extreme views than the British unions, though since the days of Larkin and Connolly it has attracted little attention on this side of the Channel. It has hitherto always worked in with Sinn Fein, but has nevertheless kept its separate identity. Its attitude towards the national question may be gathered from a speech made by Mr. Johnston on September 18, at Bray. He

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reminded his audience that, besides the declaration of independence of Sinn Fein, there was another declaration equally binding upon the Irish Republican Government, which he proceeded to read :—

We declare (it ran) that the nation's sovereignty extends not only to all the men and women of the nation, but to all the material possessions of the nation ; the nation's soil and all its resources ; all the wealth and wealth-producing processes within the nation ; and we affirm that all right to private property must be subordinated to the public right and welfare of the nation. We affirm the duty of every man and woman to give allegiance and service to the commonwealth, and declare it as the duty of the nation to ensure that every citizen shall have opportunity to spend his or her strength and faculties in the service of the people. In return for willing service we declare the right of every citizen to an adequate share of the produce of the nation's labour.

For that ideal it was, he said, their duty to fight as it was their duty to fight for independence. The occasion was a stoppage of work on the Southern Irish railways, which for a time seemed likely to paralyse trade, though it seems to have been finally settled by the mediation of Sinn Fein. But though the most important, it was only one of a series of strikes. On August 24 there was one on the railways at Cork. About a week later at Bruree, in County Limerick, some mills and a bakery were seized one day by Transport Union officials, who hoisted a red flag, and put up a notice with the legend "Bruree Soviet Workers' Mills. We make bread not profits." The Sinn Fein flag was hoisted later—apparently as an afterthought. Early in the next month again members of the Irish Transport and General Workers' Unions installed their own commission in the Cork Harbour offices, and also hoisted the red flag. A few days later the Drogheda Foundry was seized and worked by members of the Transport Workers' Union, who had been on strike for some time. The occupation by the workers was of short duration in all these cases, but as signs of the times, they are not without interest.

September opened with the delivery of the Sinn Fein

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reply to Mr. Lloyd George, though it was not published till the 5th. It read as follows :—

*August 30, 1921.*

SIR,—We, too, are convinced that it is essential that some “definite and immediate progress should be made towards a basis upon which further negotiations can usefully proceed,” and recognise the futility of a “mere exchange” of argumentative notes. I shall refrain, therefore, from commenting on the fallacious historical references in your last communication.

The present is the reality with which we have to deal. The conditions to-day are the resultant of the past, accurately summing it up and giving in simplest form the essential data of the problem.

These data are :—

(1) The people of Ireland, acknowledging no voluntary union with Great Britain, and claiming as a fundamental natural right to choose freely for themselves the path they shall take to realise their national destiny, have by an overwhelming majority declared for independence, set up a Republic, and more than once confirmed their choice.

(2) Great Britain, on the other hand, acts as though Ireland were bound to her by a contract of union that forbade separation. The circumstances of the supposed contract are notorious, yet on the theory of its validity the British Government and Parliament claim to rule and legislate for Ireland, even to the point of partitioning Irish territory against the will of the Irish people, and killing or casting into prison every Irish citizen who refuses allegiance.

The proposals of your Government submitted in the draft of July 20 are based fundamentally on the latter premises.

We have rejected these proposals and our rejection is irrevocable. They were *not* an invitation to Ireland to enter into “a free and willing” partnership with the free nations of the British Commonwealth. They were an invitation to Ireland to enter in a guise, and under conditions which determine a status definitely inferior to that of these free States. Canada, Australia, South Africa, New Zealand, are all guaranteed against the domination of the major State, not only by the acknowledged constitutional rights which give them equality of status with Great Britain and absolute freedom from the control of the British Parliament and Government, but by the thousands of miles that separate them from Great Britain. Ireland would have the guarantees neither of distance nor of right.

The conditions sought to be imposed would divide her into two artificial states, each destructive of the other’s influence in any common council, and both subject to the military, naval and economic control of the British Government.

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The main historical and geographical facts are not in dispute, but your Government insists on viewing them from your standpoint. We must be allowed to view them from ours. The history that you interpret as dictating union we read as dictating separation. Our interpretations of the fact of "geographical propinquity" are no less diametrically opposed. We are convinced that ours is the true and just interpretation, and as a proof are willing that a neutral, impartial arbitrator should be the judge.

You refuse and threaten to give effect to your view by force. Our reply must be that if you adopt that course we can only resist, as the generations before us have resisted.

Force will not solve the problem. It will never secure the ultimate victory over reason and right. If you again resort to force, and if victory be not on the side of justice, the problem that confronts us will confront our successors. The fact that for 750 years this problem has resisted a solution by force is evidence and warning sufficient. It is true wisdom, therefore, and true statesmanship, not any false idealism, that prompts me and my colleagues. Threats of force must be set aside. They must be set aside from the beginning, as well as during the actual conduct of the negotiations.

The respective plenipotentiaries must meet untrammelled by any conditions save the facts themselves, and must be prepared to reconcile their subsequent differences not by appeals to force, covert or open, but by reference to some guiding principle on which there is common agreement. We have proposed the principle of government by consent of the governed, and do not mean it as a mere phrase. It is a simple expression of the test to which any proposed solution must respond if it is to prove adequate, and it can be used as a criterion for the details as well as for the whole.

That you claim it as a peculiarly British principle, instituted by Britain, and "now the very life of the British Commonwealth," should make it peculiarly acceptable to you. On this basis, and this only, we see a hope of reconciling "the considerations which must govern the attitude" of Britain's representatives with the considerations that must govern the attitude of Ireland's representatives, and on this basis we are ready at once to appoint plenipotentiaries.

I am, Sir,

Faithfully yours,

(Signed) EAMON DE VALERA.

No reader of the *Irish Bulletin* during the last three months can fail to have been struck with the prominence given to the Ulster question. Unity in Ireland itself is for Sinn Fein a first essential. Deputation followed deputation from Catholic areas in the six counties to petition

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for Union with Southern Ireland, and the general case against the partition of the country is elaborately set out. On September 4 Mr. Michael Collins, before a large gathering at Armagh, appealed in person to Ulstermen to come into the Irish nation "while they can still come in with their heads up." Would they, he asked, prefer to be an English shire with an income tax of 6s. in the pound, rather than come into a united Ireland with one of 1s. or less? It is Sinn Fein's contention that the Ulster difficulty is simply a British difficulty. "The moment is near," said Mr. Collins, "when they (the Orangemen) will no longer be of use as a tool, when they will, in fact, stand in the way of an agreement with Ireland which has now become essential to British interests. Then they will find their eyes turned to an England which no longer wants them."

Mr. O'Duffy, the liaison officer for Belfast, who had accused the police of conniving with the Orangemen in the troubles at the end of August, went farther. He said at this same meeting, if the report is correct, that should the Ulstermen decide against Ireland, "if necessary we will have to use the lead against them."

On September 6 Mr. de Valera issued a statement to the Press. The offer to Ireland he compared to second rate political margarine with a butter label upon it, and said that Pitt's work must be scrapped and the débris removed to find a foundation on which to build a real natural union between Ireland and Britain. He appealed to the friends of peace to come and help.

On September 8 Mr. Lloyd George's reply to Mr. de Valera's letter of August 30 arrived from Inverness, and was published on the 9th. It read as follows:—

*September 7, 1921.*

SIR,—His Majesty's Government have considered your letter of August 30, and have to make the following observations upon it.

The principle of government by consent of the governed is the foundation of British constitutional development, but we cannot



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accept as a basis of practical conference an interpretation of that principle which would commit us to any demands which you might present—even to the extent of setting up a republic and repudiating the Crown. You must be aware that conference on such a basis is impossible. So applied, the principle of government by consent of the governed would undermine the fabric of every democratic State and drive the civilised world back into tribalism.

On the other hand, we have invited you to discuss our proposals on their merits, in order that you may have no doubt as to the scope and sincerity of our intentions. It would be open to you in such a conference to raise the subject of guarantees on any points in which you may consider Irish freedom prejudiced by these proposals.

His Majesty's Government are loth to believe that you will insist upon rejecting their proposals without examining them in conference. To decline to discuss a settlement which would bestow upon the Irish people the fullest freedom of national development within the Empire can only mean that you repudiate all allegiance to the Crown and all membership of the British Commonwealth. If we were to draw this inference from your letter, then further discussion between us could serve no useful purpose, and all conference would be vain. If, however, we are mistaken in this inference, as we still hope, and if your real objection to our proposals is that they offer Ireland less than the liberty which we have described, that objection can be explored at a Conference.

You will agree that this correspondence has lasted long enough. His Majesty's Government must therefore ask for a definite reply as to whether you are prepared to enter a Conference to ascertain how the association of Ireland with the community of nations known as the British Empire can best be reconciled with Irish national aspirations. If, as we hope, your answer is in the affirmative, I suggest that the Conference should meet at Inverness on the 20th instant.

I am, Sir,

Yours faithfully,

D. LLOYD GEORGE.

This letter was welcomed by the *Manchester Guardian* as moderate and conciliatory.

The Sinn Fein reply is dated the 12th. It was not, however, published until September 16, for the following reason. It was handed at Gairloch on September 13 to Mr. Lloyd George, who at once told the Irish envoys that, as the reply re-affirmed the sovereign statehood of Ireland, he would consider it undelivered, and asked them to return

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to have the matter reconsidered. Notwithstanding this, Sinn Fein, on September 15, published the letter in its original form :—

SIR,—We have no hesitation in declaring our willingness to enter a conference to ascertain how the association of Ireland with the community of nations known as the British Empire can best be reconciled with Irish national aspirations. Our readiness to contemplate such an association was indicated in our letter of August 10. We have, accordingly, summoned Dail Eireann that we may submit to it for ratification the names of the representatives it is our intention to propose. We hope that these representatives will find it possible to be at Inverness on the date you suggest, September 20.

In this final note we deem it our duty to reaffirm that our position is and only can be as we have defined it throughout this correspondence. Our nation has formally declared its independence and recognises itself as a sovereign State. It is only as the representatives of that State and as its chosen guardians that we have any authority or powers to act on behalf of our people.

As regards the principle of "government by the consent of the governed," in the very nature of things it must be the basis of any agreement that will achieve the purpose we have at heart, that is, the final reconciliation of our nation with yours. We have suggested no interpretation of that principle save its everyday interpretation, the sense, or example, in which it was understood by the plain men and women of the world. On January 5, 1918, you said :—

"The settlement of the new Europe must be based on such grounds of reason and justice as will give some promise of stability. Therefore, it is that we feel that government with the consent of the governed must be the basis of any territorial settlement in this war."

These words are the true answer to the criticism of our position which your last letter puts forward. The principle was understood then to mean the right of nations that had been annexed to empires against their will to free themselves from the grappling-hook. That is the sense in which we understand it. In reality it is your Government, when it seeks to rend our ancient nation and to partition its territory, that would give to the principle an interpretation that would undermine the fabric of every democratic state and drive the civilised world back into tribalism.

I am, Sir,

Faithfully yours,

(Signed) EAMON DE VALERA.

The Right Hon. D. Lloyd George.

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The reply quickly came from Gairloch :—

*September 15, 1921.*

SIR,—I informed your emissaries who came to me here on Tuesday, the 13th, that the reiteration of your claim to negotiate with his Majesty's Government as the representative of an independent and sovereign State would make conference between us impossible.

They brought me a letter from you in which you specifically reaffirmed that claim, stating that your nation "has formally declared its independence and recognises itself as a sovereign State," and "it is only," you added, "as the representatives of that State and as its chosen guardians that we have any authority or powers to act on behalf of our people."

I asked them to warn you of the very serious effect of such a paragraph, and I offered to regard the letter as undelivered to me in order that you might have time to reconsider it.

Despite this intimation, you have now published the letter in its original form. I must accordingly cancel the arrangements for conference next week at Inverness and must consult my colleagues on the course of action which this new situation necessitates. I will communicate this to you as soon as possible, but as I am for the moment laid up here a few days' delay is inevitable.

Meanwhile, I must make it absolutely clear that his Majesty's Government cannot reconsider the position which I have stated to you. If we accepted conference with your delegates on a formal statement of the claim which you have reaffirmed, it would constitute an official recognition by his Majesty's Government of the severance of Ireland from the Empire and of its existence as an independent Republic.

It would, moreover, entitle you to declare as of right acknowledged by us that in preference to association with the British Empire you would pursue a closer association by treaty with some other foreign Power. There is only one answer possible to such a claim as that.

The great concessions which his Majesty's Government have made to the feelings of your people in order to secure a lasting settlement deserved, in my opinion, some more generous response, but so far every advance has been made by us. On your part you have not come to meet us by a single step, but have merely reiterated in phrases of emphatic challenge the letter and the spirit of your original claims.

I am,

Yours faithfully,

D. LLOYD GEORGE.

There was now a deadlock which lasted till the end of the month. No further letters passed for the time being,

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but there were plenty of telegrams. Thus, on September 16, Mr. de Valera wired as follows to Gairloch :—

SIR,—I received your telegram last night. I am surprised that you do not see that, if we on our side accepted the Conference on the basis of your letter of September 7 without making our position equally clear, Ireland's representatives would enter the Conference with their position misunderstood and the cause of Ireland's right irreparably prejudiced. Throughout the correspondence that has taken place you have defined your Government's position. We have defined ours.

If the positions were not so definitely opposed, there would indeed be no problem to discuss. It should be obvious that in a case like this, if there is to be any result, the negotiators must meet without prejudice and untrammelled by any conditions whatsoever, except those imposed by the facts as they know them.

EAMON DE VALERA.

To which next day the Prime Minister replied :—

SIR,—I have received the communication which you telegraphed to me last night.

It is idle to say that a Conference in which we had already met your delegates as representatives of an independent and sovereign State would be a Conference "without prejudice." To receive them as such would constitute a formal and official recognition of Ireland's severance from the King's Domains. It would indeed entitle you, if you thought fit, to make a treaty of amity with the King, but it would equally entitle you to make no treaty at all, to break off the Conference with us at any point, and by a right which we ourselves had already recognised to negotiate the union of Ireland with a foreign Power. It would also entitle you, if you insisted upon another appeal to force, to claim from foreign Powers by our implicit admission the rights of lawful belligerents against the King, for if we dealt with you as a sovereign and independent State we should have no right to complain of other Powers following our example. These would be the consequences of receiving your delegates as the representatives of an independent State. We are prepared, in the words of my letter of the 7th, to discuss with you "How the association of Ireland with the community of nations known as the British Empire can best be reconciled with Irish national aspirations."

We cannot consent to any abandonment, however informal, of the principle of allegiance to the King, upon which the whole fabric of the Empire and every Constitution within it are based. It is

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fatal to that principle that your delegates in the Conference should be there as the representatives of an independent and sovereign State. While you insist on claiming that, conference between us is impossible.

I am,  
Yours faithfully,  
D. LLOYD GEORGE.

The same day Mr. de Valera telegraphed :—

SIR,—In reply to your last telegram just received, I have only to say that I have already accepted your invitation in the exact words which you re-quote from your letter of the 7th inst. We have not asked you to abandon any principle, even informally, but surely you must understand that we can only recognise ourselves for what we are. If this self-recognition be made a reason for the cancellation of the Conference, we regret it, but it seems inconsistent.

I have already had conference with you, and in these conferences and in my written communications I have never ceased to recognise myself for what I was and am. If this involves recognition on your part, then you have already recognised us. Had it been our desire to add to the solid substance of Ireland's right the veneer of the technicalities of international usage which you now introduce we might have claimed already the advantage of all these consequences which you fear would follow from the reception of our delegates now. Believe me, we have but one object at heart—the setting up of the Conference on such a basis of truth and reality as would make it possible to secure through it the result which the peoples of these two islands so ardently desire.

I am, Sir,  
Yours faithfully,  
EAMON DE VALERA.

The following morning, the 18th, Mr. Lloyd George replied :—

I have received your telegram of last night, and observe that it does not modify the claim that your delegates should meet us as the representatives of a sovereign and independent State.

You made no such condition in advance when you came to see me in July. I invited you then to meet me, in the words of my letter, as “the chosen leader of the great majority in Southern Ireland,” and you accepted that invitation. From the very outset of our conversations I told you that we looked to Ireland to own allegiance

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to the British Throne, and to make her future as a member of the British Commonwealth. That was the basis of our proposal, and we cannot alter it. The status which you now claim in advance for your delegates is in effect a repudiation of that basis.

I am prepared to meet your delegates, as I met you in July in the capacity of "chosen spokesman" for your people, to discuss the association of Ireland with the British Commonwealth. My colleagues and I cannot meet them as the representatives of a sovereign and independent State without disloyalty on our part to the Throne and Empire. I must, therefore, repeat that, unless the second paragraph in your letter of the 12th is withdrawn, conference between us is impossible.

D. LLOYD GEORGE.

To this Mr. de Valera's answer, sent the next day, was as follows :—

We have had no thought at any time of asking you to accept any conditions precedent to a conference. We would have thought it as unreasonable to expect you, as a preliminary, to recognise the Irish Republic formally or informally as that you should expect us formally or informally to surrender our national position. It is precisely because neither side accepts the position of the other that there is a dispute at all, and that a conference is necessary to search for and to discuss such adjustments as might compose it.

A treaty of accommodation and association properly concluded between the peoples of these two islands and between Ireland and the group of States in the British Commonwealth would, we believe, end the dispute for ever, and enable the two nations to settle down in peace, each pursuing its own individual development and contributing its own quota to civilisation, but working together in free and friendly co-operation in affairs of agreed common concern. To negotiate such a treaty the respective representatives of the two nations must meet. If you seek to impose preliminary conditions, which we must regard as involving a surrender of our whole position, they cannot meet.

Your last telegram makes it clear that misunderstandings are more likely to increase than to diminish and the cause of peace is more likely to be retarded than advanced by a continuance of the present correspondence. We request you, therefore, to state whether your letter of September 7th is intended to be a demand for a surrender on our part or an invitation to a conference free on both sides and without prejudice should agreement not be reached. If the latter, we readily confirm our acceptance of the invitation, and our appointed

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delegates will meet your Government's representatives at any time in the immediate future that you designate.

EAMON DE VALERA.

Meanwhile, it will be asked, what of Northern Ireland? We visited Belfast just as her Parliament was entering upon its first regular session, late in mid-September, to find a Government indeed, and a stout-hearted one, but lacking the attributes of government. Ministers were there, but no departments; powers there were, but they could not be used. For, by a strange turn of the wheel, the truce, which had enabled Sinn Fein in so many ways to strengthen its position, had checked the development of the Northern administration, which could not even get its civil service until the statutory machinery had been created to effect the division. No such step could, it was complained, be taken till there was, either a Government at Dublin ready to work under the Better Government of Ireland Act, or, failing that, Crown Colony government. And the question of establishing the latter had been pushed into the background by the negotiations. The same cause prevented the Council of Ireland from coming into being, and meanwhile reserved services, such as railways, remained under the old control at Dublin. Northern Ireland could not, indeed, get her taxes. She had to be put in funds by Whitehall. Serious looks we found, but not dismay. As on our visit last April, we were struck with the contrast to Dublin. In the spring, however, it was the change from a prison house to the homely calm of a Scottish or English town. This time it was Belfast that had the graver air, and it made the South, radiant in its new found peace, seem like another world. Once again those northern characteristics, which are needed by the rest of Ireland to supplement their own, struck us. We admired the special qualities which brought work to Belfast shipyards at a time when so many of our own were idle. That this work was not restricted to repairing ships was made clear by a letter in the middle of October to the *Daily News*, which had been

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under that impression, giving the official figures for the Belfast yards.\* There has undoubtedly been a disposition in the south to exaggerate the depression there. But although this is not justified, unemployment was described by the Northern Minister of Labour early in October as appalling, and he produced figures which, he said, showed they were faced with a more serious problem than the whole of the United Kingdom. The great shipbuilding industry and their staple trade, the linen industry, had been hit to an unparalleled extent at the same time. He was hopeful for many reasons of improvement in the latter, and to-day the improvement seems to have set in, but he was afraid that shipbuilding in Belfast, as elsewhere, had many dark days to contend with still. Reasons for grave looks were not, indeed, far to seek. The atmosphere of the six counties was charged with electricity. The Southern boycott that was declared by Sinn Fein to be imposed on the North on account of the expulsion of Catholic workmen in July 1920, was still in full force, and the distribution business was hit by it, though the export industries which have been her mainstay were not affected. Mention has already been made of a stormy three days at the end of August. During the week-end before our arrival there had, the papers said, been two persons killed and several injured; at the end of the next week casualties were still heavier. The *Morning Post* correspondent reported 18 wounded and two deaths.

\* "There are only four liners for alteration, reconditioning, or repairs in Belfast, viz., the *Orca*, 17,600 tons; the *Regina*, 16,300 tons; the *Runic*, 12,000 tons; and *Aba*, 8,000 tons. A total of 45,300 tons under treatment. While the new tonnage under actual construction, and on which work is proceeding, and excluding entirely orders that have been temporarily suspended, is as follows:—The Aberdeen liners *Sophocles* and *Diogenes*, 12,300 tons each; P. and O. liner *Barrapool*, 13,300 tons; two P. and O. liners, 20,000 tons each; Holland-America liner *Statendam*, 32,000; Pacific liner, *Oroya*, 12,300; a total of 131,900 tons; which is being pushed on at top speed. The machinery for all these vessels is being built at Belfast, and also for a number of Holland-America liners building in Holland, as well." (See Mr. T. Moles' letter to the *Daily News*, October 15, 1921.)



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Up to September 21 the Recorder of Belfast had awarded £343,464 for damages suffered in disturbances last summer.

Faction fights were, however, not all confined to Belfast. Trouble was possible at any moment in such counties as Fermanagh and Tyrone, where there is a Catholic majority. Shortly before our visit, a collision had actually taken place between Unionists and Sinn Feiners, and shots were exchanged near Cookstown. Catholics made no pretence at recognising the Northern Parliament; its Sinn Fein members would only go to the Dail at Dublin. Non-co-operation extends even to the Church. Cardinal Logue has refused to nominate representatives to serve on Lord Londonderry's Education Board, and other Catholics, who were approached, have also declined to serve on it. The persistent determination with which Sinn Fein has raised the Ulster question, and their sympathetic reception of delegates from the Northern Catholic centres was bound to arouse anxiety about the future. Nor would it be removed under the proposed settlement if Ulster continues as she is at present, for the Catholics of the six counties would look to the South more than ever, if they saw their brethren there enjoying lighter taxation. Lastly, there were the negotiations between the British Government and the Dail.

What then, it will be asked, is Northern Ireland's position with regard to the negotiations? It was originally laid down in Sir James Craig's letter to Mr. Lloyd George of August 24.\* Briefly put, it was to stand—not aloof—but on one side. No obstacle would be put in the way of the proposed settlement between Sinn Fein and Great Britain. Northern Ireland would, if required, moreover, attend the Conference at London. It is only because Mr. de Valera objects to her status being recognised that she cannot take an actual part in it—but, it must be understood, she has nothing more to give away. As for the Better Govern-

\* This letter is reproduced in the appendix to our September article on Ireland.

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ment of Ireland Act, she did not want it ; she preferred to remain part of the United Kingdom ; but, as it is law, her Government means to make good under it. They relied on the British people to see that existing ties were safeguarded.

Such was the situation Sir James Craig had to review when he met his Parliament in September, and such the standpoint that he maintained. The ability with which he had hitherto held the helm in troubled waters excited widespread admiration. Would he, if it should be required in the interests of permanent peace, prove capable of rising to even greater heights ?

To return to the correspondence, the check that followed the British letter of September 16 served one useful purpose, if, as was suggested, it helped to remove any false impression that one or other of the two countries was on the run,\* or that the British Prime Minister would give any terms if only he could get away to Washington. On September 29 Mr. Lloyd George, who was still at Gairloch, brought the deadlock to an end with the following letter :—

*September 29, 1921.*

SIR,—His Majesty's Government have given close and earnest consideration to the correspondence which has passed between us since their invitation to you to send delegates to a Conference at Inverness.

In spite of their sincere desire for peace, and in spite of the more conciliatory tone of your last communication, they cannot enter a Conference upon the basis of this correspondence.

Notwithstanding your personal assurance to the contrary, which they much appreciate, it might be argued in future that the acceptance of a Conference on this basis had involved them in a recognition which no British Government can accord. On this point they must guard themselves against any possible doubt.

There is no purpose to be served by any further interchange of explanatory and argumentative communication upon this subject.

\* Mr. J. H. Thomas, the English Labour leader, warned the Irish not to get that impression of England, in an interview that he had with the *Freeman's Journal* at the beginning of September.

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The position taken up by his Majesty's Government is fundamental to the existence of the British Empire, and they cannot alter it.

My colleagues and I remain, however, keenly anxious to make, in co-operation with your delegates, another determined effort to explore every possibility of settlement by personal discussion.

The proposals which we have already made have been taken by the whole world as proof that our endeavours for reconciliation and settlement are no empty form and we feel that conference, not correspondence, is the most practical and hopeful way to an understanding such as we ardently desire to achieve.

We, therefore, send you herewith a fresh invitation to a Conference in London on October 11, where we can meet your delegates as spokesmen of the people whom you represent with a view to ascertaining how the association of Ireland with the community of nations known as the British Empire may best be reconciled with Irish national aspirations.

I am, Sir,  
Yours faithfully,  
(Signed) D. LLOYD GEORGE.

Mr. de Valera's acceptance of the invitation was prompt. Next day the following letter was made public :—

*September 30, 1921.*

SIR,—We have received your letter of invitation to a Conference in London on October 11, "with a view to ascertaining how the association of Ireland with the community of nations known as the British Empire may best be reconciled with Irish national aspirations."

Our respective positions have been stated and are understood, and we agree that a Conference, not correspondence, is the most practical and hopeful way to an understanding.

We accept the invitation, and our delegates will meet you in London on the date mentioned, and explore every possibility of settlement by personal discussion.

Faithfully yours,  
(Signed) EAMON DE VALERA.

The correspondence stage was over.

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## III

THE Conference was at last in being. Sinn Fein appointed as its delegates the five who were to have gone to Inverness, while the Government selected three representatives from each wing of the Coalition :—

*British representatives.*

Mr. Lloyd George  
Lord Birkenhead  
Mr. Austen Chamberlain  
Mr. Churchill  
Sir L. Worthington-Evans  
Sir Hamar Greenwood  
(With Sir Gordon Hewart  
in attendance to advise  
on legal matters)

*Secretaries.*

Mr. Thomas Jones  
Mr. L. Curtis

*Irish representatives.*

Mr. A. Griffith  
Mr. Michael Collins  
Mr. R. C. Barton  
Mr. E. J. Duggan  
Mr. Gavan Duffy

*Secretaries.*

Mr. Erskine Childers  
Mr. John Chartres

On the evening of the departure of the Dail delegates Mr. de Valera issued the following statement to the Irish people :—

FELLOW-CITIZENS,—The Conference in which the accredited representatives of the nation are about to engage with the representatives of the British Government must profoundly influence and may determine the whole course of our country's future. It affects the lives and fortunes of every section of the community. Whatever the differences of the past, it is the interest as it is the duty of all Irishmen to stand together for Ireland now.

Our delegates are keenly conscious of their responsibilities. They must be made to feel that a united nation has confidence in them, and will support them unflinchingly. They share with each one of us the ardent desire that this secular conflict between the rulers of Britain and the Irish people may happily be brought to an end, but they realise that the ending of the conflict does not depend finally upon their will or upon the will of this nation. The struggle on our side has always been simply for the maintenance of a right that in its nature is indefeasible, and that cannot therefore be either relinquished or compromised.

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The only peace that in the very nature of things can end this struggle will be a peace consistent with the nation's right and guaranteeing a freedom worthy of the sufferings endured to secure it.

Such a peace will not be easy to obtain. The claim that conflicts with Ireland's right has been ruthlessly persisted in through centuries of blood. It seems unlikely that this claim will be abandoned now. Peace and that claim are incompatible.

The delegates are aware that no wisdom of theirs and no ability of theirs will suffice. They indulge therefore in no foolish hopes, nor should the country indulge in them. The peace that will end this conflict will be secured, not by the skill or statesmanship of leaders, but by the stern determination of a close-knit nation steeled to the acceptance of death rather than the abandonment of its rightful liberty. Nothing but such a determination in our people can overcome the forces that our delegates will have to contend with.

By an heroic endurance in suffering Ireland has gained the position she holds. Were the prospect of further horrors or further sacrifices to cause her to quail or falter for a moment, all would again be lost. The threats that could force surrender in one vital particular would be relied on to force surrender in another and another till all were gone. Of necessity Ireland must stand where she is, unyielding and fearless on the rock of right, or be out-manœuvred and defeated in detail.

During the negotiations, then, the slightest lowering of the nation's *morale* will be fatal, and everyone whose thought or action tends to lower it is an enemy of peace—an enemy of the peoples of both islands—an enemy of the cause of humanity whose progress is intimately linked up with each successive triumph of right over might.

The Power against us will use every artifice it knows in the hope of dispiriting, dividing—weakening us. We must all beware. The unity that is essential will best be maintained by an unwavering faith in those who have been deputed to act in the nation's behalf, and a confidence manifesting itself as hitherto in eloquent discipline. For this I appeal.

(Signed) EAMON DE VALERA.

Dublin,

October 10, 1921.

Next day the first meeting took place at Downing Street in an atmosphere that seemed favourable to a settlement. In Ireland the Church had hitherto remained in the background. The Catholic bishops, however, who were then assembled at Maynooth, passed a resolution welcoming the

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Conference. It afforded, they felt, a golden opportunity for establishing concord between the two countries by "a great act of national freedom untrammelled by limitations, and free from the hateful spirit of partition." At the Conference only Great Britain and Sinn Fein were represented, but the bishops' last words take us back to Ulster, where three or four days later an important speech was made at Belfast by Sir James Craig, preparing people for his possible attendance at Downing Street, and containing the following grave words :—

"Ulster," he said, "is not a cheese to be nibbled at. It is a rock of granite that will break the teeth of those men that attempt to bite it, whether they are Sinn Feiners or any others. Let us here have our watch-dogs of Ulster and say 'it is not the way to peace to come up here and attempt to take away our principles and our rights. The way to peace is to go and make it up among yourselves.'" He referred to the "bitter anxiety" caused by the fear that, if the Conference breaks down, their opponents might be planning an attack. "We are just as ready," he assured his audience, "to prepare our plans as Sinn Fein." He warned them, too, that, if he had to go into conference with the British Government, his lips would be sealed while the Conference was proceeding, and they must just trust him. Again, a day or two later, he said that Fermanagh and Tyrone were as sacred to the men of Down and Antrim as their own hills and valleys. "Ulster could only be won, for she never can be coerced."

On October 17 a statement appeared in the Press that the Ulster Defence Force was being reorganised.

Meanwhile, people in London, as best they could, were forming their own ideas about the Sinn Fein delegates, and the prevalent impression was that they desired peace. A speech by Mr. Arthur Griffiths in the Albert Hall, on October 26, at all events, encouraged that idea.

It was at this juncture that the revolt broke out in the Unionist wing of the Coalition. There had been dissatisfaction from the outset at negotiations being entered into with rebels, who were, moreover, held responsible for the murders of the pre-armistice period. The Government's

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proposals, too, went further than any previous scheme of Home Rule, and were bound to prove a difficult mouthful for many Unionists to swallow. As early as the middle of August a resolution of profound dissent was passed by eighteen members of the House of Commons and ten of the House of Lords, including both Lord Salisbury and Lord Selborne. As the weeks went on, this unrest was fed from many sources. The protraction of the negotiations, the tone of the Sinn Fein utterances and its propaganda, the boycotts,\* the way in which the Dail was reported to be consolidating its position, and the re-establishment of Sinn Fein courts, all helped. Then there were stories of breaches of the truce, of camps, especially in North-East Ulster, talk of drilling and reviews, of levies of men and money, of kid-napping, of the importation of arms, and the occurrence of collisions in which lives were sometimes lost. To investigate such reports is not within our power any more than it is to go into the counter-charges made by Sinn Fein. True or false, they came as grist to the mills of discontent.

On the top of all this came the telegram to the Pope. An exchange of messages had just taken place between the latter and the King. The Pope had wired to King George :—

We rejoice at the resumption of the Anglo-Irish negotiations, and pray to the Lord with all Our heart that He may bless them and grant to your Majesty the great joy and imperishable glory of bringing to an end the age-long dissension.

The King had replied :—

I have received the message of your Holiness with much pleasure, and with all my heart I join in your prayer that the Conference now sitting in London may achieve a permanent settlement of the troubles in Ireland and may initiate a new era of peace and happiness for my people.

\* Certain British goods were boycotted as well as trade with the North-East.

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To a British reader these messages seemed to be of unexceptionable character. Mr. deValera, however, thought otherwise. On the evening of the 20th he himself dispatched the following telegram to the Pope :—

The people of Ireland have read the message sent by your Holiness to the King of Great Britain, and appreciate the kindly interest in their welfare and the paternal regard which suggested it. I tender to your Holiness their gratitude. They are confident that the ambiguities in the reply sent in the name of King George will not mislead you, as it may the uninformed, into believing that the troubles are in Ireland, or that the people of Ireland own allegiance to the British King.

The independence of Ireland has been formally proclaimed by the regularly elected representatives of the people of Ireland, and ratified by subsequent plebiscites.

The trouble is between Ireland and Britain, and its source that the rulers of Britain have sought to impose their will upon Ireland, and by brutal force have endeavoured to rob her people of the liberty which is their natural right and their ancient heritage.

We long to be at peace and in friendship with the people of Britain, as with other peoples, but the same constancy through persecution and martyrdom that has proved the reality of our people's attachment to the Faith of their fathers proves the reality of their attachment to their national freedom, and no consideration will ever induce them to abandon it.

EAMON DE VALERA.

Mansion House, Dublin.

October 20th, 1921.

In order to appreciate the inner meaning of this incident it is necessary to understand another old-established grievance. England is believed over and over again to have influenced the Vatican in questions of Irish policy, and English Catholics are always identified in the Irish mind with the political party which has defeated so many attempts to get Home Rule. There is, in consequence, a rooted prejudice which goes back a long way. Sinn Fein, indeed, takes it as far as the Pope, Adrian, who issued the original Bull authorising Henry II. to invade Ireland, for Adrian himself, the *Bulletin* reminds us, was an Englishman. Influence was again suspected on this particular



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occasion. But in spite of it there would appear to have been a widespread feeling that Mr. de Valera's telegram was a blunder, certain to make the task of the Conference more difficult, and to endanger the cause of peace. "A grave challenge" was the term applied to it by the Prime Minister. It seems, indeed, for some days to have been a case of touch-and-go with the negotiations, and two of the Irish delegates made a special journey to Dublin over the week-end. The basis of the last two letters on which the Conference was arranged appeared to have been undermined. Wreckers certainly could not have asked for anything more calculated to suit their purpose.

It soon became evident, indeed, that the autumn session was to be a lively one, and a motion expressing apprehension at the Government's policy in entering into the negotiations, and asking that any proposals should be submitted to Parliament before being given effect to, was tabled. The Prime Minister saw his opportunity, and, like Cromwell at Dunbar, he was swift to act. He immediately named an early day for the discussion of his Irish policy and welcomed the prospect of a division. He regarded the motion as a vote of censure. His tactics were entirely successful. He rallied to his side both the Liberal and the Labour Opposition, at the same time retaining the bulk of his own supporters, with the result that the motion was defeated by an enormous majority, only 43 members voting for it. In his speech the Prime Minister undertook to confer the powers required by the Ulster Government at once, "unless something happens in the next few days one way or the other that puts the position right from the point of view of the Act of 1920." He pointed out the inevitable consequences of a breakdown in the Conference, and it was obvious that things were not going as well as he could have wished. While, however, he was ready to accept those consequences, and, if necessary, to fight, every path that leads to an honourable peace must first be sought. The responsibility, he assured the House, would be Parlia-

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ment's and any proposals submitted to it before ratification. As for breaches of the truce, the almost daily occurrences of regrettable incidents was admitted by the Government, but an assurance was given that, "as far as the principal delegates were concerned, they had acted as men of honour." It had to be recognised that there were difficulties on both sides. We had, however, the House was assured, received distinct guarantees. The air was once more clearer, but it would be a mistake to measure the significance of the revolt by the ease with which the motion was defeated. It was more than a mere parliamentary incident. It was a symptom of real and deep-seated doubts in the country. The Government's majority was large, but protracted delay would steadily sap its strength. Coalitions have their drawbacks, but the revolt brought it home that with no other form of Government could so pronounced a step have been taken to meet Irish aspirations. Few people in this island would deny the force of the warning which the *Daily News* addressed the day after the debate to the Irish leaders.

If (it said) this Conference breaks down through any stubborn pursuit of shadows on their part or any lack of true statemanship, it will mean the utter failure of all their hopes and the hopes of all the sincerest friends of Irish freedom.

## IV

AT the moment that these lines go to press the curtain is still hanging over the stage, but it is probable that long before they reach the reader it will have begun to rise. Speculations as to what it will disclose are therefore largely idle. The broad features of the situation are, however, beginning to take form in the public mind.

At the root of the Irish problem there are fundamental differences, religious, economic, industrial and racial. All of these have, however, for centuries been made worse by

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one constant factor, distrust. During the negotiations it has cropped up at every turn. Why, our own island asks, were the naval guarantees and the military conditions objected to? It is we who would have to defend both England and Ireland in the last resort, whatever the status of the latter, and we cannot do it without proper facilities. It would be the same if Ireland were a Republic. South Africa did not mind our keeping Simonstown. The guarantees are necessary, moreover, not only for the safety of England and Ireland, but for the Dominions as well. If it be doubted, listen to the words of an authority, who is not an Englishman at all. The American naval writer, Admiral Mahan, wrote\* :—

Practically regarded, it is impossible for a military man, or a statesman with appreciation of military conditions, to look at the map and not perceive that the ambition of Irish separatists, if realised, would be even more threatening to the national life of Great Britain than the secession of the South was to the American Union. It would be deadlier also to Imperial aspirations; for Ireland, by geographical position, lies across and controls the communications of Great Britain with all the outside world, save only that considerable but far from preponderant portion which borders the North Sea and the Baltic. Independent and hostile, it would manacle Great Britain, which at present is, and for years to come must remain, by long odds the most powerful member of the federation (*i.e.*, of the Empire) if that take form. The Irish question, therefore, is vitally important, not to Great Britain only but to the Colonies. The considerations that swayed the mind of the Union in the Civil War apply with peculiar force to the connection between Great Britain and Ireland.

And these words were written before the war, when the strength of the submarine menace had not as yet been disclosed by actual experience. But to Sinn Fein there had hitherto been only one possible enemy—England. The facilities asked for by her were for them so many bridgeheads. This, though Great Britain, if she were bent

\* Attention was drawn to the passage from *Motives to Imperial Federation* by Mr. R. B. Marston in a letter to the *Times* dated August 28.

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on it, could invade Ireland without any such aids. It was the same with other conditions. Dominion status, for instance, was not, apparently, objected to in itself, though not considered as applicable to Ireland, which is herself, as British Ministers have readily admitted, a mother country, as much as our own sister island, as to countries which started their career as colonies. The real objection was suspicion. England, it was felt, is so near that she could not resist using powers against Ireland which remain legally in existence, though constitutional usage has long rendered their employment obsolete in the case of the Dominions, whose distance saves them from any risk in this respect, and who in the last resort are said to have the right to secede which Ireland would not have. Our rooted disinclination to take any further part in Ireland's internal affairs to them seemed no answer at all, for complications in the North-East might, it was feared, at any moment bring us back. And so the old vicious circle goes on. But suspicion is not confined to Nationalist Ireland. Ulster, too, as we have seen, is peering southwards over her battlements. That we ourselves are not free from it has been proved by the Unionist revolt.

Distrust is natural. It is a legacy from the past; an instance of the way that the sins of the fathers are visited upon the children. But it must be overcome if the Irish problem is to be solved. Any permanent settlement must involve risks. Where such conditions exist, the first move is half the battle. And that half was gained when the British Government made its offer last July. To what extent its example is being followed is not yet known, but the veil that hangs over the negotiations cannot prevent impressions, and to-day the prevailing one is that Sinn Fein has shown itself ready substantially to comply with Great Britain's conditions if Ulster will meet it on the question of the unity of Ireland. On such unity it lays the same stress as is laid by ourselves on the unity of the Empire. It is an issue, moreover, that unites Southern

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Irishmen in a way that no other does. The Government, it is said, has put forward proposals which it has asked Ulster to accept. If, then, this impression is correct and the arrival of Sir James Craig's Cabinet in London lends it colour, the interest shifts to Ulster. What will she do is now the question. Any idea of compulsion is ruled out by the condition attached to the Prime Minister's proposals, and indeed by Sinn Fein's own admission, for although there have been threats, such as Mr. O'Duffy's at Armagh, their responsible leader, in his reply to the British offer, placed it on record that he did not contemplate the use of force. Constitutionally, moreover, she will approach the matter from an entrenched position, for steps have been taken to place her forthwith in full possession of the powers which were intended to be conferred by the Act of last year. But even if the situation has been accurately gauged, it is still, as these words are written, a matter of conjecture in what way unity in Ireland would be compassed. In order to obtain it Sinn Fein has on more than one occasion declared itself agreeable to Ulster retaining at least as much autonomy as she has at present. Mr. de Valera's suggestion to the French journalist was, it will be remembered, that she might occupy the position of a Dominion within a united Ireland. The question of the form, however, that the central Irish authority might take under any such scheme would still remain. That matters of this sort have been under discussion there can be little doubt, but Ulster's attitude has not yet been made public, though it is said that she has rejected the proposals and claims for herself the position of an entirely separate Dominion.

Lastly, it is asked, suppose that the new negotiations with Northern Ireland should lead to nothing, what then?

For the time being, our own rôle is a passive one. We, "the great body of Englishmen and the great body of Irishmen," are merely the audience. We sit with folded hands waiting for the next act in this ancient drama.

## Ireland

Hitherto, every step in it has been marked by the inevitableness of Greek Tragedy. The curtain is already trembling. Will it rise upon characters still playing the self-same part that a relentless *ἀρνη* has for centuries dictated, or upon men, able at the call of a supreme interest which transcends those of race and country, though it includes both, to mount superior to fate itself ?

## CURRENCY AND FOREIGN EXCHANGE PROBLEM

### I

**B**EFORE the war questions of foreign exchange hardly entered into the purview of ordinary traders. Variation in the exchanges—i.e., in the relative value of the currencies of different countries compared to one another—was very small. Whether a trader was buying or selling, and whether the terms of the bargain were stated in pounds sterling, in dollars, in francs or in marks, he could be reasonably certain that, when the time came to make or receive payment, the relative value of these currencies would be the same as at the time when the bargain was made. Or at any rate the variation would be so minute as not to affect the profit of the transaction. Consequently he did not need to trouble his head about the matter. Foreign exchange, therefore, was regarded as a subject which only concerned banks or financial firms which specialised in it, and even with them it was only a side line in their business.

To-day matters are very different. The fluctuations in the relative value of all the principal currencies are so great and so frequent that no bargain of international trade can be made without taking them into consideration, especially if the terms of payment are in any way deferred. If the seller stipulates for payment in the currency of his own country, he is of course safe, provided he gets his payment as stipulated. But the buyer does not know what he will have to pay, and this uncertainty necessarily affects the

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stability of the bargain. If, on the other hand, payment is arranged in the native currency of the buyer, the seller is ignorant what this will be worth at the time he receives it.

While this state of things can be met to some extent by "covering"—i.e., by the buyer or the seller purchasing or selling foreign exchange forward at the time the bargain is arranged—there are limits to the extent to which this can be done, particularly in the case of sales on long terms of credit. Moreover, even when there is covering, it only means that the risk of the fluctuation is passed on either to speculators pure and simple or to bankers or firms dealing in exchange, who naturally charge for taking it at such a rate as experience shows to be necessary. This imposes an additional burden of expense which the transaction has to carry and makes it less desirable for both buyer and seller.

The instability of the exchanges is thus a great hindrance in the way of international trade. It is an even greater hindrance in the way of international investment, on which so much international trade depends.

In the three-quarters of a century preceding the war it was the foreign investments of the British people that created the basis for their foreign trade. The British manufacturer would never have sold half the goods that he did to foreign countries, had not the British investor supplied capital to those countries. Not only was the capital itself largely employed in the purchase of British goods, but these goods were used in developing new means of production abroad, and thus created fresh purchasing power in the world and gave Britain, among others, an extended market in which to place her exports. During that period the investor, like the trader, did not as a rule have to trouble his head about questions of exchange. Generally speaking, the terms of investment were stated in British currency, the borrowers taking the risk of any fluctuation in exchange. Such fluctuations were infrequent and did not constitute an additional element of risk except in a few cases.



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To-day in making any foreign investment the risk arising from fluctuations in exchange is one of the first things that have to be considered. Indeed, perhaps it is the greatest risk of all that the investor takes. Such a condition tends to stop investment abroad and thus to dry up the sources of the principal channel of international trade. The reluctance of America to do what she must do if she is to retain her export trade—namely, invest freely abroad—is largely due to this cause.

### II

**F**OREIGN exchanges did not fluctuate to any appreciable extent before the war, because the currencies of the principal trading countries were all exchangeable for a fixed quantity of the same metal—i.e., gold, which was thus a common measure of value.

The United Kingdom, the United States, France, Germany and most of the other European countries, Canada, Australia, South Africa, India, etc., all had their currencies on what is called a gold basis. That is to say the paper currency, which took the form of bank notes, cheques, bills of exchange and so forth, represented gold. The unit of currency in each country—the pound, the dollar, the franc, the mark and so on—stood for so many grains of gold. This supplied a fixed measure of relative value. In theory in all these countries, and in practice in most of them, gold could be freely obtained for currency in the actual quantity which the currency was supposed to represent. Thus, according to the well-known theory of foreign exchanges, the relative value of these currencies could not vary one way or the other beyond the cost of transporting gold from one country to another. For if the value of one currency, measured in the terms of another, fell below this standard, gold would be used instead as the means of making payments. So long as the variation

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was less than the cost of transporting gold, it was of course cheaper to make payments by the interchange of paper currency or transfers—bills or cheques or cables—but the variation in value of one currency in the terms of another, both countries being on a gold basis, could not go beyond the actual cost of transporting gold from one to the other, and this only amounted to a very small percentage, which was therefore the limit of the variation in value.

A few countries, e.g., China, and until recent years Japan and India, had currencies on a metallic basis but not on a gold basis, their currency being based on silver. The value of their currencies as compared with the currencies of countries on a gold basis was subject to fluctuation on account of the variation in the relative value of gold and silver. This fluctuation had to be taken into account in all trade carried on with those countries, which thus had an uncertain factor, an element of gambling, and to that extent was hampered more than trade carried on between countries on a gold basis. The fluctuations, however, in the relative value of gold and silver were comparatively gradual, depending as they did largely on the relative production of the two metals. Thus even the trade between gold and silver countries was subject to no such risks as attend all foreign trade to-day, when exchanges may vary in a month by great percentages.

Other countries, e.g., several in South America, were not on a metallic basis at all but had paper currencies which were not convertible into gold or any other metal. The relative value of such currencies was from time to time subject to fluctuations which were generally supposed to be governed by a combination of the internal currency position of the country concerned and of its foreign trade position. Trade with or investment in such countries was uncertain accordingly in proportion to the frequency and violence of the fluctuations.

With the outbreak of war the movement of gold everywhere was restricted or prohibited and these restrictions

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and prohibitions still prevail over nearly the whole world. Gold can no longer be obtained for currency and, even if it could be obtained, its exportation is not allowed. Thus it is no longer available as a common measure of value between one currency and another. If it were otherwise, if, for instance, Treasury notes could actually be exchanged for gold at the standard rate of 123 grains and a fraction for the pound sterling, the exchange value of a pound sterling compared with an American dollar could only vary by the cost of transportation of gold to the United States. Since it is not so, since the currencies of the principal trading countries are no longer on a gold basis and have no common measure of value, their relative value in terms of one another can only be settled by other means.

### III

**D**IFFERENT theories have been put forward as to the cause or causes, which determine the relative value of currencies, when they no longer have the common measure of value, which is provided by a common metallic basis.

One theory, which was deduced from the axioms of earlier writers on the subject, was that the relative value of currencies, when there was no longer a common metallic basis to measure them by, would depend on what is called the balance of trade. That is to say, that if a country consistently imported more than it exported, the relative value of its currency would depreciate, because it would always be requiring the currency of other countries in larger quantities than they would require its currency. Demand therefore exceeding supply would send up the value of the other currencies. And vice versa, if the exports of a country regularly exceeded its imports, the relative value of its currency would appreciate. In both cases invisible as well as visible imports and exports would have to be taken into account.

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Another theory which has been put forward by Professor Cassel of Sweden and others and which has obtained vogue, is that the relative value of currencies, as expressed in the exchanges, is determined, in the absence of a common metallic basis, by the relative internal purchasing power of the different currencies in the countries using them.

While both of these theories can be supported by abstract reasoning, even a cursory examination of the actual fluctuations in the foreign exchanges will show that neither can be accepted as supplying a complete explanation of the phenomena. If we follow the old rule that a general hypothesis can only be regarded as valid if and so long as it accounts for the phenomena (that is to say, the apparent facts), it must be admitted that an adequate theory of the causes of fluctuations in the currency exchanges has still to be worked out. Doubtless the causes are complex, and it would be too ambitious to attempt to frame a general statement which would cover them all. But perhaps an analogy may be drawn which will assist in understanding the situation.

So long as the currencies of the principal trading countries were on a gold basis, gold supplied a common measure of value (subject to cost of transportation). Thus the pound sterling was worth  $4.86\frac{2}{3}$  dollars or 25.22 francs, no more and no less (subject to the slight variation arising from the cost of transporting gold between London and New York or Paris), because it was exchangeable for an amount of gold which was  $4.86\frac{2}{3}$  times the amount of gold into which the dollar could be exchanged, or 25.22 times the amount of gold into which the franc could be exchanged.

But under present conditions foreign currency is no longer something which has a fixed value in relation to native currency as it had when the two currencies had a common metallic basis. It is a commodity to be purchased and the price of it is presumably settled on the same sort of considerations as the price of other commodities. These considerations are ordinarily grouped together under the

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general name of supply and demand. Such general expressions explain little until they are analysed, and while a statement of the principle that prices are fixed by supply and demand would no doubt be accepted in the case of a foreign currency (the common measure of value being absent) as it is in the case of other commodities, the application of the principle in the case of one commodity differs from its application in the case of another. Perhaps the nearest analogy to the fluctuations of foreign exchanges (i.e. to the price fluctuations of foreign currencies stated in the terms of native currency) will be found in the price fluctuations of stocks and shares.

### IV

**I**N the share market it is well known that there are a number of different factors which determine the price of a particular share at a particular time. First of all there is the factor which is called "intrinsic value"—i.e., the assets or earning power of the company of which the shares are being dealt in. Theoretically this should be the principal, if not the only factor, in determining the market price of a share. In the long run no doubt it is the most important factor. It is well known, however, that the price of shares is often affected considerably by quite other considerations than those of ascertained intrinsic value. There is, for instance, the factor of sentiment or opinion. The price of a share will go up or go down, not because of any actual or even supposed change in its intrinsic value, but because the public or the market think that it is going to rise or fall and start to buy or to sell. Again, there is the factor of forced buying or selling. A large buying or selling order, which may be given without any reference to intrinsic values, will force the price of a share up or down many points and the change in price so brought about may last over a considerable period.

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§ In comparing the foreign exchange market under present conditions to the share market, the factor of the internal purchasing power of the various currencies in their own countries may perhaps be compared by analogy to the factor of intrinsic value in the case of shares. This internal purchasing power is determined by the general level of prices in the different countries, which in turn depends on a number of considerations, chief among which at the present time is the degree of currency inflation subsisting. If currency should be so inflated in Great Britain and prices rise so high in consequence that a pound sterling purchased no more commodities than a dollar will purchase in the United States, the exchange value of the pound sterling would tend to fall, until it was only equal to one dollar. It might not fall the whole way, for there are other factors at work besides intrinsic value, and experience shows that internal purchasing power is by no means the only measure of exchange values. But that would be the tendency.

It is of course inflation that has been the chief cause in the last few years of currency depreciation in Europe. To depreciation of this character there may be no limit when once the downward path has been chosen, as Russia, Austria and Poland show. Inflation brings lack of confidence, and both act and react on one another in producing falling exchanges, rising prices and further issues of currency.

The factor of speculative sales or purchases, made on grounds of sentiment or opinion, is important in both the exchange market and the share market. In the case of the exchange market it takes various forms, e.g., the form of direct speculation in foreign exchanges carried on by professional dealers or by the general public; the form of investment by the public in securities of countries whose exchange is depreciated, in the hope of a profit from a recovery of exchange; the form of merchants and traders covering or omitting to cover for future purchases which they expect to make abroad, and so on.

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The effect of forced buying or selling in the share market may be compared to the effect produced on the exchange market by the obligatory purchase of American dollars to pay for shipments of wheat and cotton, and generally to all obligatory purchase of foreign currency for the payment of debts due abroad and for the settlement of trade balances ; also to the effect of such transactions as those of the first German reparation payment, when the German Government is required to buy foreign currencies at any cost to meet its obligations. The effect of such transactions is shown by the great depreciation of the mark. Such forced buying or selling occurs to a greater or less extent, whenever a country's balance of trade is upset, when for instance it is temporarily importing more than it can pay for by its exports, and finds difficulty in obtaining credit to cover the balance. To this cause must be attributed the movements in the exchange caused by seasonal requirements, which are particularly marked in the case of the autumn shipments of raw materials from the United States.

It seems likely that the great and sudden fall in the German exchange which occurred in 1919, carrying the mark far below its internal value, was due to two main factors, first the necessity Germany was under to import certain essential materials and secondly the fact that the German Government and German municipalities were compelled, if their credit was not to be entirely ruined, to meet large obligations falling due in neutral countries, which they had contracted for war purposes. From this over-depreciation as compared with the internal level of prices the mark never recovered, and it has now by the operation of Reparation payments and the general loss of confidence in its stability resulting in a "flight from the mark" on all hands, been driven far lower.

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### V

SO long as the relative value of currencies is settled by the above factors it is evident that it will be subject to great and continual fluctuations. Even if the internal purchasing power of currencies reached a common level—and there is no reason to expect this, for it would be a state of things which never existed even in pre-war times—that level would hardly be likely to be maintained steadily in all countries but would always be altering in one way or another owing to internal conditions. The factor of speculation based on sentiment and opinion, and that of forced purchase or sale of foreign currencies are still less likely to become stable. It would appear, therefore, that unless some common measure of value between currencies—such as existed before the war in the gold basis—can be re-established, fluctuations in foreign exchange will continue and, in consequence, the resumption of international trade and investment will remain subject to the impediments pointed out earlier in this article.

It need not be argued how greatly this will hinder the restoration of prosperity in the world at large and the replacement of the wealth wasted or destroyed by the war. Unless the different countries can trade freely with one another and the surplus production of one can be used, through the channels of trade and investment, to increase the productivity of others, each country will have to remain dependent on itself and the state of the world will be as unfortunate as the condition of a community where individuals cannot trade with one another or lend or borrow between themselves.

To re-establish freedom of trade and investment, to the extent which existed before the war, the stabilising of the principal exchanges is essential. This can only be effected by the re-establishment of a common measure of value, that is to say by bringing the currencies of the



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principal trading countries back on to a metallic basis. It is true that during the war some of the Allied exchanges were fixed—"pegged" as it was called—long after the currencies concerned had ceased to be on a gold basis—i.e., actually exchangeable for gold. This was effected by the action of the Allied Governments, which undertook to supply all the foreign exchange required at a fixed rate. But it was only possible then firstly because private trading was very much limited by law as well as by circumstances, and the demand for foreign exchange on the part of private persons was small ; and secondly because the Governments, by arrangement between themselves, were able to borrow from one another and thus supply themselves with funds to meet the demands for the currency of each other. Now neither of these conditions exists, and unless the Governments of the principal trading countries could come to a mutual arrangement to supply one another with funds for the purpose of "pegging" the exchanges—which is in the highest degree unlikely and undesirable—no other method of stabilisation can be found than the re-establishment of a common measure of value into which all the currencies to be stabilised shall be freely exchangeable.

## VI

**I**T remains to consider what are the difficulties in the way of the re-establishment of a common metallic basis for the currencies of the principal trading countries. Of these the United States alone is on a gold basis at present. Here it may be noted that, while gold is the common measure determining the relative values of currencies, the price of gold itself must be fixed in terms of some currency or other. When exchanges are unstable, as they have been since the war, the currency which fixes the price of gold is naturally the currency which has the highest relative value in the terms of other currencies. For gold as produced, in so far

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as a free market is allowed for it, will naturally be exchanged for that currency which gives the best return, provided that such currency belongs to a country which is able to absorb the gold production. If, for instance, the Swedish exchange were to go above par as compared with that of the United States, it would not follow that the price of gold would rise. Sweden would not be able to absorb more than a small quantity of gold, and either the Swedish exchange would come down again or the flow of gold to Sweden would be artificially restricted. The United States, however, has the largest volume of trade of any country in the world, and can absorb all the gold offering. In so far, therefore, as gold producers are allowed to sell their gold where and as they please, they will continue either to sell it in the United States for United States currency ; or if they sell it in other countries it will be for a currency price fixed, not by the nominal gold equivalent of the native currency, but by the native currency equivalent of the price which the gold would fetch in United States dollars according to the exchange of the day.

It follows that no country can get back to a gold basis—i.e., can make its currency freely exchangeable for gold, until the exchange value of its currency has risen to a par with that of the United States. Otherwise the result would be that its currency would be exchanged into gold for the purpose of exchanging the latter into United States currency, which could then be exchanged back into a greater quantity of the currency of the first country than had been paid for the gold. Dealers in gold and exchange would find every transaction of this character profitable, and thus all the gold of the country would soon be exhausted and its currency would no longer have a gold basis.

We have spoken above of the various factors which influence the relative values of currencies in the absence of a common metallic basis. If the joint working of those factors, that is, of relative purchasing power, forced demand

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created by trade balances or other causes, and speculative demand based on opinion, should bring the currency of the United Kingdom to a par with that of the United States and should maintain it there over a considerable period, the United Kingdom would then be in a position to return to a gold basis, i.e. to make its currency freely exchangeable for gold without the danger of seeing all the gold drawn away from the country. In that case there would be no motive to exchange British currency into gold and then to exchange the gold into the United States currency for the purpose of exchanging the latter back into British currency.

But in order that the exchange between Great Britain and the United States should return to par and should be maintained there, the present situation would have to be much changed. In the first place, the relative purchasing power of British currency must increase, or that of the United States currency must diminish, i.e. prices must either fall in Great Britain or rise in the United States. Then the factor of forced demand must be eliminated by the alteration of the trade balances, which are now dragging against Great Britain and in favour of the United States. And it is not only British but European trade balances which are in question. As long as a European country has some financial power left and can still sell its currency for sterling or obtain credits in sterling, it has the power by selling that sterling for dollars to depress the sterling exchange. Thus German sales of sterling to meet reparation payments might have a very important effect on our exchanges. On the other hand, countries so bankrupt as Austria and Poland can no longer exert any effect, since practically they cannot obtain sterling by any means. Furthermore, the question of the war debt due to the United States must be settled in such a manner that it does not involve a forced demand for dollars by the British Government to provide for its repayment. If relative purchasing power were to increase and forced demand be eliminated, the third factor of speculative demand

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would no doubt follow them. Evidently, however, the happening of these things does not depend only on Great Britain. Even if concentrated effort on the part of her Government and people should bring about a considerable fall of prices in Great Britain, it would have no effect in modifying the exchanges, if a similar or greater fall of prices were to take place simultaneously in the United States. On the other hand an increase of prices in the United States might bring the desired effect about, without any action on the part of Great Britain, unless we increased our prices proportionately by inflation here. Again, if Great Britain were to reduce her imports or increase her exports and so lessen the trade balances against her, this would not affect the American exchange, supposing that the United States were simultaneously to do the same thing. Moreover, as indicated above, efforts on our part may be neutralised by the conditions of other European countries.

What is true of the position as between Great Britain and the United States is equally true of the position as between France and the United States, and between France and Great Britain, and is similarly true for other countries.

It has been suggested in some quarters that the situation can only be met by altering the nominal gold value of currencies to correspond with their present actual values reckoned in the terms of United States currency—i.e. by debasing the coinage of practically all other countries except the United States. Thus the amount of gold in a pound sterling, instead of being nominally as it is at present 4.86 times the amount of gold in the dollar, would be fixed at, say,  $3\frac{1}{2}$  or 4 times the amount of gold in the dollar. The amount of gold in a franc, instead of being as it is nominally  $\frac{1}{5}$ th of the gold in a dollar, would be fixed at, say,  $\frac{1}{15}$ th of the gold in a dollar, and so on. It is suggested that in this way the principal countries might be able to return at once to a gold basis for their currency, and that foreign exchanges would so become fixed. The advocates

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of such a course may perhaps claim some support from the Report of the Commission on Indian Currency issued in 1920, from which the following quotation is taken :—

“Our conclusion, therefore, is that a stable level of exchange gives the most healthy condition for production and trade, and for the employment of capital, and that large changes in the exchange value of a currency are an evil, which should be avoided so far as possible ; but if a large change has taken place it may be preferable to establish stability at the new level rather than submit to the further change which is necessary for a return to the old level, especially if the former course shortens the period of uncertainty.”

But while no doubt the stabilisation of the exchanges is a matter of first-class importance for the welfare of international trade, it would be dangerous to recommend an actual debasement of our currency should be now carried into effect. Apart from other considerations the after-swell of the great war-storm is still running too heavily. The waves must subside much more before we can take our bearings, and see where we are and what ultimate course we must pursue. The conditions in other countries, particularly the United States, are still too fluctuating and obscure for us to estimate, if it were decided we could never hope to regain our old standard, what new par of exchange we could successfully maintain. Until London has returned to her pre-war condition of having large liquid assets abroad to give her power to draw gold, in case of need, and until the question of her war-debt is settled, the danger of being unable to maintain a free gold market would be very great. All we know for certain is that present conditions are quite abnormal. The United States shows an extraordinary combination of a heavy balance of exports in her favour, a high protective tariff to prevent the import of goods to pay for those exports, a refusal on her part to invest largely abroad as an alternative means of utilising her favourable balance,

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a consequent absorption of gold from every part of the world as the only remaining means of payment, and in face of this constantly growing hoard of gold, a continuous fall in prices for many months. Clearly such a combination of circumstances must be quite temporary. The United States must either increase her imports, or invest largely abroad, or cease to export. She cannot continue permanently to absorb useless hoards of gold. The course of affairs in the United States has indeed a vital interest for the rest of the world. At present it is hampering and hindering the restoration to more normal conditions and, as long as she continues on her present path, there is little chance indeed of any greater stability or a cessation of great exchange fluctuations. How her problem will work out cannot be foreseen. It would be natural to suppose that her vast store of gold would lead to an extension of credit and a rise in prices. There are indeed indications already of the latter. If this tendency were to increase, as in the writer's opinion is more than likely, our own problem of restoring our standard might become a good deal easier.

But, these uncertainties apart, it is not thinkable that this country should be the first to proclaim to the world the formal debasement of her currency. If, as is not likely to be the case, it were ultimately shown to be clearly beyond our power to restore it, notwithstanding the most strenuous efforts, the matter would be different. If we were to contemplate it now, there can be no question that such a step would profoundly and detrimentally affect British credit, and prove the severest blow to this country's international financial position.

What other belligerent countries will eventually be driven to such a step is open to question. Possibly France or Italy, or both, may not avoid it. As regards Germany, and still more most of the Central European countries, some such measure will almost certainly be found to be necessary, for in their case the fall in the value of their

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currency, whether measured in the terms of gold or of commodities, has gone too far to be restored.

It must be realised, however, that in the case of Great Britain, and still more in that of France, an effort to restore the currency to a gold basis, without recourse to the expedient mentioned above, will involve great sacrifices, if the United States should continue in a policy of deflation and if prices in that country should continue to fall. For in that case the restoration of the British and French exchanges to par without debasement of the nominal gold contents of their currencies will involve a further heavy fall of prices in Great Britain and France—possibly a permanent return of prices to the pre-war level, or something near it. But a huge volume of debt has been contracted during and since the war, both public and private, at a time of inflated prices ; and if the principal and interest of these debts is to be paid when prices have been cut in half it will constitute just twice as heavy a charge on the productive capacity of the countries concerned, and it is to be feared that the burden might prove greater than they could bear. Fortunately, events in the United States appear likely to move in another direction.

It is worth while noticing another suggestion which has been made for helping the situation and which is less open in some ways to objection than the proposal to debase all the European currencies. This suggestion is that the principal countries of the world, including the United States, should agree to change their currencies to a bi-metallic basis, using silver as well as gold as the basis of their currencies, with a fixed ratio of value between the two metals. The introduction of bi-metallism was proposed many years ago in the United States to relieve an economic situation created by the scarcity of gold and by falling prices, which increased intolerably the burden of debt contracted at a time when prices were higher. It was opposed, and rightly opposed, by those who feared it would lead at that time to undue inflation, and would destroy

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the credit of the United States as compared with that of the gold-basis countries. The latter objection of course would not hold if the bi-metallic basis were adopted by all the principal trading countries together. As regards the first objection it may be argued that to increase the metallic basis of the world's currency by adding silver to gold as forming that basis, would not, under present conditions, lead to further inflation (assuming that the ratio value of silver was judiciously fixed), but would merely recognise the currency inflation which has already taken place, and which cannot be reduced to pre-war proportions without rendering the burden of public and private debt intolerable.

There is one exception to this. The United States is so great a producer of silver that the monetisation of that metal might lead to some inflation there, but this would be an advantage, for it would tend to raise American prices and so bring the American exchange to a level with that of the other principal exchanges, which, as shown above, is a necessary preliminary to permanent stabilisation.

The argument for bi-metallism is based first on the contention of many authorities that, for the sake of the world's solvency, prices cannot permanently be allowed to fall much below the level which they had reached by 1918—e.g., about twice pre-war prices; and, secondly, on the view that notwithstanding economies in its use as currency the world's supply of gold, which was not more than sufficient as a metallic basis for the currency of the principal countries in 1914, would be wholly insufficient as a basis when prices have been doubled. In other words, that there is not enough gold in the world to settle trade balances and to serve as a basis for the currencies of the principal countries, unless prices are brought back to the 1914 level, or somewhere near it. If this is true then a broader metallic basis for the world's currency may be required by present conditions. The addition of silver to gold would give this. It would no doubt stereotype high prices, but the world has



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to a great extent adjusted itself to these, and there are strong grounds for arguing that anything like a permanent return to pre-war prices would be disastrous, for the reasons mentioned above. While, however, bi-metallism may possess theoretical advantages, the practical difficulties in the way of its general adoption are very great.

Meanwhile what practical steps can be taken to diminish the present chaos? Public opinion is rightly concentrating itself more and more on currency instability as the chief impediment to the return to more normal industrial and trading conditions. "Stabilising the exchanges" is the new watchword, and the Government is adjured to carry into effect the necessary measures to this end. But no one has any idea how it is to be done. And little wonder since it lies within the power of no Government to accomplish. Chaotic exchanges are merely the outward and visible sign of chaotic national and international conditions. It is these that must be cured. Restore the patient to health and the thermometer will soon stand at normal.

The best chance for the world is to restore as soon as possible gold as the common international measure of value. Notwithstanding its defects, the gold standard worked well before the war; it was at the least a great advance on anything that went before. It is true that since the collapse of the world's gold market, and its disuse as currency in many countries, its value has been subject to great fluctuations—so great that some economists talk of the necessity of abandoning it altogether. But, while international co-operation to regulate its demand and supply will certainly be called for, it is idle to talk of abandoning it, since there is nothing else yet which could possibly replace it.

But clearly an immediate return to the gold standard by the countries possessing it before is impracticable. The internal fluctuations of the national currencies and the external debts of various countries are too great to allow of it. Only step by step shall we be able to return to

## Currency and Foreign Exchange Problem

pre-war conditions. The United States is the only great country still on a gold basis. If the United Kingdom could return to it, then an arrangement between these two countries might form a basis for the rest of the world to build upon. We are ourselves, however, a good long way yet from that point, and when and whether we get there does not depend on ourselves alone, but more than anything on the currency and financial policy pursued in the United States. If a revival of prosperity and an extension of credit there were to lead to an increase of prices—in other words, a fall in the value of gold—we might find it easier to return to our old gold parity, and gold might flow from the United States to us. But if we ourselves are forced by our own difficulties to “inflate” again and decrease the value of the paper pound, we may neutralise the forces acting in the United States. And, even if we were to see our exchange rise to its old parity of \$4.86 $\frac{2}{3}$  to the £, we could not safely declare London a free gold market until the question of our war debt owing to the United States was settled, and until it was clear we possessed or could secure sufficient credits abroad to enable us to protect our gold reserve.

The policy we should pursue, therefore, is to maintain the internal stability of our currency, to aim at keeping prices more or less as they are now, and to come to some settlement with the United States Government as to our war debt. Our internal stability is threatened partly by our huge Government expenditure, and partly because, as there is some reason for thinking, our level of wages and salaries is higher in relation to our exchange than those of our European competitors. If so—and if we cannot reduce our level directly—it will be reduced indirectly by our continued failure to export, by a fall in our exchange, and a rise in prices. It is impossible to say yet what will be the ultimate result in the next twelve months of all these conflicting tendencies on our exchange. But, unless some political catastrophe occurs, it seems more likely than not

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that, at the end of that period, we may be nearer the point at which we might restore our gold standard than we are at present. If in six months or a year there is still no approach to the old parity, the question of adopting a new standard will have to be seriously considered.

Much, of course, depends on the recovery of our trade, and for that the return to more normal conditions in Europe is essential. We may see, indeed, our trade with the rest of the world improve considerably, but, while Europe remains in a turmoil, real recovery is impossible. The problem may be stated briefly. Stability of the main European exchanges and currencies is essential; that stability depends on the cessation of the issue of paper money, and that in turn depends on the balancing of the Government budgets. They cannot be balanced unless there is external and internal peace. Yet what sort of peace have we yet in Europe? In addition, there are two great and inter-connected problems. France cannot balance her budget because of the enormous expenditure on her devastated areas; for help she looks to German reparation payments. Germany cannot balance her budget because of the necessity of making those payments. And in the case of Germany, too, the rapid depreciation of her exchange is due, not only to the issue of paper money, but still more to "forced sales" of marks in order to secure in exchange foreign currencies to be handed over to the Reparation Commission. A further and growing influence—and a very dangerous symptom—is the consequent growing distrust of German currency in Germany itself.

Unless German currency is to collapse like the Austrian—with what ultimate effect on the European body politic who can tell?—Germany must be given more time to pay. The trouble is not so much the amount of the payments as the rapidity with which they must be made. If a man, exhausted by fever, is forced to run a mile race the day he is out of bed he may collapse; a week later he may do it

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without difficulty. Germany cannot pay the amounts due from her next year, and a revision of the London Conference agreement requires to be made without delay. What then about France? How is she to meet her difficulties? If she agrees to the postponement of the German payments, can England and America, who should feel sympathy with her in the problem presented by the devastated areas, do anything to help her? It is to be hoped that these questions, together with that of the war debts, will be fully discussed at Washington. A reasonable settlement of them is a pre-requisite of any attempt to secure greater stability in the exchanges.

## THE AFTERMATH OF VICTORY\*

THE hero of that most admirable of French war novels, *Les Croix de Bois*, in a moment of fierce exultation on his discharge from hospital and from the army, boasts of the victory won by France and her allies. A pessimistic friend asks why he thinks it a victory, and after an instant of confusion, the soldier finds the key to his own mood and replies: "J'trouve que c'est une victoire parceque j'en suis sorti vivant." After three years of peace he might have come to doubt the truth of his epigram. For victory and defeat have been merged in a common misery. The nations of Europe have now to consider not how success in war can be exploited or failure repaired, but what they can do to stave off the ruin that is threatening them all. The problem has an even wider range than this, for the disease can no more be isolated in Europe than it can be isolated in Austria or Poland. The present political and economic instability of Europe is reflected in every corner of the world, in ruined markets, unemployment in industry, public and private financial embarrassment, or even political unrest. There can be no nation anywhere which is not concerned to see the end of these conditions. If for no other reason it may be worth while considering how they have been created, of what malady they are the symptoms, to what skilled treatment they may be expected to yield. We ought to add the most vital question, perhaps, of all—

\* This article takes the place of our usual one on The Problems of Europe. It might, indeed, almost have been entitled "The Problem of Europe."

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what ground is there for believing that the treatment will be applied in time ?

### I. EUROPE TO-DAY

IT would, we suppose, be generally admitted that the position of Europe to-day is more critical than it was even six months ago. Take as the first test the state of international trade. The interchange of commodities between one nation and another is the lifeblood of modern European civilisation. Without it the vast populations of our time cannot be maintained, for such is the range and diversity of the manufacturing industries that only a primitive agricultural community can be self-sufficing. Even America can no longer obtain from her own territory all the food and raw materials that she needs. In the last few months the stream of international trade, dammed here and there diverted, has steadily dwindled. Foreign exchange, as is shown in the article on "Currency and Foreign Exchange" in this number, is only an indicator of general conditions. But the present chaotic position of the European exchanges is in two ways definitely restrictive of trade. When most of the currencies are subject to wide fluctuations, often of as much as ten to fifteen per cent. from one day to the next, foreign trade becomes too hazardous to continue. But apart from this, the most formidable bar, currency depreciation itself tends to stagnation. For trade flows in well-worn channels, cut to suit economic conditions ; what possibility is there, even though the Austrian crown is approaching parity with the Polish mark, that the trade once done by Austria with Germany will be transferred to Poland ? The work of the exchanges is being rounded off by the extreme protectionist tariffs now in vogue. They are the offspring of fear and of unreasoning nationalism ; but though it is easy to understand their origin, their effect can only be per-

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nicious. No tariff legislation can keep pace with the rapid depreciation of certain currencies which we are now witnessing ; moreover, tariffs breed retaliation : yet Governments, " still nursing the unconquerable hope ", add course upon course to the wall which surrounds, and if the process continues, will isolate their countries. The economic conditions of the world are crying out for the most intense production and the freest possible exchange of commodities, but the return to a sane policy is being made every day more difficult.

If we turn to the test of public finance, we shall find everywhere a deepening embarrassment. Sir Robert Horne speaks of the " appalling prospect " of the next Budget, yet he is probably the most fortunate Finance Minister in Europe. The project of the French budget for 1922 shows, even when the revenue is credited with the full payments due from Germany, a deficit of 1,625 million francs. The German Government budgeted in April for a deficit of 33,000 million marks. By the end of October that estimate was more than trebled. In the same period 52,500 million marks have been added to the floating debt. In the rarefied atmosphere of these financial heights, life cannot long be supported. Yet in comparison with Austria, Poland or Russia, Germany is still solvent, even prosperous.

Is there in the sphere of politics anything to set off against moribund trade and crippled finances ? It is true that the flame of war has died down. But over a great part of Europe there is little sign of stable government or of a keener desire for international co-operation. Hungary remains a centre of turbulence and reaction, even though its Government successfully resisted the second inglorious attempt of the ex-Emperor Charles to regain his throne. The other succession states of the Austro-Hungarian Empire have persisted in their mutual antagonisms, and it is still uncertain whether the efforts of Italy to bring their representatives together in conference at Porto Rose will lead after many postponements to the abatement of the

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jealousy and mistrust which fetters the economic life of them all. Jugo-Slavia shows no desire to respect the new frontier of Albania. Poland pursues its vendetta with the Lithuanians over Vilna in defiance of the League and of every principle of political decency. The awful calamity of the Russian famine has found no relief except through private effort. The open tension of Franco-British relations has relaxed, but there are ominous signs, in the reports which come to hand as these lines are being written of the agreement between France and the Kemalists Turks, that it is at the price of the pursuit of a separate policy by one at least of the Allies, in complete disregard of the interests of the other.

It may be asked by what miracle, if this is a true picture of political, financial and economic conditions in Europe, the Continent has been saved from a lapse into anarchy. It is a question to which there is no simple and obvious answer. Clearly the land, if it can be tilled and is not being trampled by armies, is a great bulwark against revolution. Though enterprise and scientific production on a grand scale may have been killed in agriculture as in industry, there remains the possibility for many millions of people of winning a bare sustenance from the soil. Then again, all the evidence goes to show that the industrial population accumulated during the fierce effort of the war much greater savings than had been thought likely. There has, too, been a kind of compensated distribution of privation and suffering; in one country distress has been predominantly amongst the proletariat, in another amongst the middle classes and all those with fixed incomes. Behind and overtopping every other restraining influence has been the awful spectre of the revolution in Russia. But it is idle to suppose that, if the present tendencies persist, any influences can be sufficient to keep Europe from ruin. Unless there is a reversal of much recent policy, the world must be prepared to face worse things than it has already endured. We lay stress on policy because in the last analysis the ills that Europe



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and the world are suffering from are the fruit of political blunders, of that frailty in Governments, and in the nations of which Governments are the mouthpiece, through which the world was plunged into a disastrous war and rescued from it to be the victim of a no less disastrous peace. Two of the current problems of Europe, those of Upper Silesia and of Reparations, throw into relief this primary importance of political factors, and if for no other reason will repay close examination.

### II. UPPER SILESIA

AT the end of an article on Poland and Upper Silesia in the September number of THE ROUND TABLE we wrote :

Whatever the decision of the Supreme Council may be, the one essential thing is that the Allies shall honestly co-operate with one another in using every effort to enforce the decision when made. Some injustice will be done to individuals and to districts. This cannot be avoided ; in these mixed districts of Eastern Europe no frontiers can be drawn which will command the assent of all parties, but just for this reason there must be no doubt nor hesitation in the enforcement of the decision when it has once been made.

Since we wrote these words, the decision has been given, and by them we abide, although the decision is one which we deeply regret and one which on every essential point goes against the contentions of the British Government. The British Government has always held that the decision must be within the limits of the Treaty ; the final verdict is one which goes outside the Treaty. The British Government persistently maintained that what is called the industrial triangle was indivisible ; the decision divides this triangle. The British Government refused to assign to Poland large communities predominantly German ;

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the decision awards to Poland the towns of Tarnowitz, Königshütte and Kattowitz, which in the plebiscite voted German by very large majorities.

The obligation not only to accept the decision, but loyally to co-operate in carrying it through, is imposed by the process by which the decision was arrived at. The Supreme Council at its meeting in August was unable to agree. It looked for a moment as though the difference was irreconcilable; M. Briand was unable, indeed, to contend against the arguments put forward by the British representatives, but he could not afford to give way, for had he done so he would undoubtedly have lost his majority in the Chamber. Under these circumstances, at the last moment it was determined to refer the whole matter to the Council of the League of Nations. It was an express condition of this reference that all members of the Supreme Council bound themselves to accept and carry out the decision whatever it might be.

This conclusion was an interesting and to many a welcome one. It was the first time the Supreme Council had called in the help of the League of Nations on a matter of great political importance, and it seemed a happy omen for the future that the League, which had already arbitrated between Finland and Sweden, between Poland and Lithuania, should exercise its good offices between Great Britain and France. For it must be noted that the reference to the League was clearly and definitely a request for arbitration on a difference between England and France, not on a difference between Poland and Germany; these two countries had technically nothing to do with the matter at all.

The Council of the League accepted the task imposed upon them. Having done so they were confronted by the problem how they should solve it. There were obvious difficulties in the Council dealing with it themselves, for if they did, it was quite clear that the controversy of Paris would be transferred to Geneva; instead of M. Briand

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and Mr. Lloyd George, we should have had M. Bourgeois and Mr. Balfour. Here, however, they were helped by precedents ; it has become customary when such a case is referred to the Council that they should themselves refer it to a special Commission to investigate and report. This procedure was again adopted, and if we understand rightly, the members of the Council concerned each agreed to accept the report of the Commission when it was made. England and France acted on the Council of the League as on the Supreme Council and agreed to accept as final the judgment of a neutral and impartial Commission.

The Commission was constituted from those members of the Council who were not members of the Supreme Council, so it came about that the final decision on a point to which the whole of Europe was looking with apprehension and dismay was eventually to be given by the representatives of Belgium, China, Spain and Brazil. From this moment the British Government had nothing whatever to do with the matter. They were bound in honour not to move in any way, and especially to avoid any kind of influence, intimidation or suggestion—an obligation which we need not say was most scrupulously observed. The decision therefore is one for which this country has no direct responsibility, except that which is involved in the reference. Nothing could be more unjust than to suggest, as was done in some quarters, that the Prime Minister had receded from the position which he had hitherto always taken about Upper Silesia. All that can be done is to accept the new situation which has been created and honestly to co-operate in carrying it out.

The obligation to do this must necessarily operate in restraint of criticism. No good can come of contending now that the decision is unjust or unwise, or that the Council of the League ought to have appointed a stronger and a less exotic Commission. But there is a limit to the appropriate reticence, and it is right that we should point out on what assumptions the decision rests and what are the

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consequences, particularly in the economic sphere, which it appears to us to entail.

The importance and interest of the decision lies in this, that it contributes a new positive element, not contemplated in the Treaty. The decision is in two parts. First a frontier line is drawn. This line, we may note, gives to Poland 75 per cent. of the present coal output, 90 per cent. of the coal resources of the area, 86 per cent. of the zinc ores, 77 per cent. of the lead ores, and blast furnaces with an annual production of 400,000 tons out of a total production in the area of 570,000 tons. This result is in a sense accidental, because the Commission, having decided that the triangle was divisible, proceeded to divide it on the basis of the votes cast, not in the triangle, but in the whole province of Upper Silesia in the plebiscite. Secondly, for a period of fifteen years, Upper Silesia is to be placed under a special régime set up under a general convention to be negotiated by Germany and Poland. Further there is to be established a mixed advisory Commission consisting of Germans and Poles, with a neutral Chairman, appointed by the League of Nations. By these means it is hoped to obviate the pernicious results which would otherwise follow from placing an international frontier in the middle of the most highly organised industrial district in Europe. For fifteen years, moreover, the currency is, even in the Polish districts, to remain German, and the workmen are to continue to enjoy the benefits of the German system of insurance. The two parts of the award were intended to be inseparable; the new frontier could not be accepted unless at the same time the provision for common control were established. We may note in passing that this fundamental point was not clearly brought out in the award of the League of Nations, which in many essential points was carelessly worded, so much so that there was for a few days a real doubt as to its meaning.

In justification of the division of the industrial triangle the Commission could appeal to important precedents.

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They were apparently strongly influenced by the Teschen case. As is well known, the Duchy of Teschen was divided between Poland and Czecho-Slovakia by a line which separates the railway station of Teschen from the town, and the mining area from the districts in which many of the miners live. It is understood and was strongly represented to the League that the difficulties which some had anticipated here have not occurred, and that the Poles and Czechs have since the award lived in harmony with one another. They could also appeal to the Danzig case; here, again, the Peace Conference deliberately adopted a solution in one of these doubtful and difficult areas, which could only become effective if the authorities of Danzig and Poland could agree with one another. The latest reports are that after many months of bitter controversy and acute animosity, General Haking, the High Commissioner, established at Danzig by the League of Nations, has succeeded in the difficult task of bringing about an agreement. It was the hope of the League that what has been done in these two places may also be done in Upper Silesia. Only the future can show whether this will be possible. Whether under a mixed régime they can hope, however complete their co-operation may be, to develop the economic resources of Upper Silesia as efficiently as the Germans alone, is at least doubtful. Clearly much depends on the scope of the convention between the two countries which has still to be negotiated. If it leaves Poland free, for example, to use the newly acquired industrial zone primarily as a source of revenue from which to finance military development in the interests of France, the world will have little further gain from the resources of Upper Silesia or the skill and enterprise which have hitherto been applied to them. We may be permitted to hope that collaboration between Germany and Poland, compulsory at first, will direct Polish policy into new channels, and lead to the harmonious relations with her immediate neighbours on which her prosperity depends.

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That which caused most apprehension when the decision of the League became known was the effect which it would produce upon Germany, both political and economic. On the whole, after the first days of anger and disappointment were over, the political results have been less immediately serious than was anticipated. The Wirth Cabinet, indeed resigned, but after a very short time Dr. Wirth again assumed office and is still carrying on the Government, though with his position undoubtedly weakened. The German Government have, as we understand, agreed for their part to accept and carry out the decision which was communicated to them by the Supreme Council in a note so worded as in fact to leave them no other alternative. The absence of news from Upper Silesia may indeed be partly accounted for by the superior political interest of other matters, both home and foreign, but it is so far to the good that it seems to show that there is no immediate danger of local disturbances. It is indeed probable that the people of Upper Silesia itself would be more eager than are the Germans and the Poles elsewhere to accept the idea of co-operation; they have seen and experienced in their own lives too much of the harm which comes from unbridled national passions, and may well understand they have nothing to lose by an arrangement which will place the corporate unity of the disputed area in the foreground.

More serious is the effect on the general economic and financial position of Germany, and to that we must now turn. Upper Silesia, after the Ruhr Valley, was the most important mining and industrial area in Germany. The loss of the greater part of it, following as it does the alienation of the Sarre Valley, of Alsace-Lorraine and of her merchant shipping, means a further weakening of Germany's recuperative powers. It has thus a direct bearing on the reparation claims, and that the world recognises this was shown by the immediate drop in the German exchange on the publication of the award. But reparation is a subject

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so large and so vital to the consideration of what is wrong with the world that it calls for examination in detail.

### III. REPARATIONS

THE first payment from Germany under the London agreement, which was described in the June number of *THE ROUND TABLE*, fell due at the end of August. In the absence of credits abroad derived from a surplus of exports over imports, the German Government could only meet this liability by negotiating temporary advances through foreign banks and by selling marks to buy foreign currencies. The immediate effect of this expedient was to depress the external value of the mark by 50 per cent. The Upper Silesian decision destroyed whatever confidence was left in Germany's ability to recover. The last few weeks have seen a stampede, both in Germany and elsewhere, to sell marks at any price, to exchange them for more stable currencies or for tangible articles with a value of their own. At the time of writing the mark stands at over 1,200 to the £. Its external collapse has been followed by a sharp, but not nearly equivalent, rise in prices in Germany; that again by further inflation and by irresistible demands for higher wages. German industry continues to work at high pressure and to show, on paper, large profits. It is a prosperity in which every element of permanence is wanting. The argument is being advanced in certain quarters that the obvious trend towards public bankruptcy is being deliberately hastened by the German Government, and particularly by German industrial organisations as a means of avoiding the payment of reparations. It is difficult to find either evidence for or sense in this contention. No doubt the action of individual Germans, under the influence of financial panic, in shunning the mark as though it was an infection, simply makes confusion worse confounded. But what motive can there be for concerted

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industrial action when the movement now in process must lead to the strangling of industry? It is already obvious that no advantage in price will assist German manufacturers to obtain foreign business, when conditions in Germany are such that the purchaser has lost confidence in the ability of German firms to execute any contract which extends over more than a few weeks. Moreover, if there should be an acute financial crisis, the proprietors of German industries will be involved in the general ruin. There is no means of isolating the industries of a country from the vicissitudes of public finance.

In every calculation of the ability of Germany to carry out her reparation undertakings there is one fundamental factor and only one. That is that payments can in the long run only be made out of a surplus of exports over imports. If that surplus does not exist, every possible expedient that can be adopted to meet payments as they fall due must have the effect of retarding the industrial recovery which the existence of a surplus presupposes. The trade balance favourable to Germany in 1913 was relatively small, and her capacity for producing wealth is much smaller now than it was then. Comparative figures have recently been published of German foreign trade in 1913 and 1920, and they reveal a startling contrast.

Imports				Exports		
	Weight in 1,000 tons	Value in millions of marks	Value in marks per ton	Weight in 1,000 tons	Value in millions of marks	Value in marks per ton
1913 ..	72,800	10,700	147·10	73,800	10,100	136·80
1920 ..	18,800	97,000	5,160·00	19,800	69,500	3,505·00

This table does not, of course, include invisible exports, i.e., ocean freights and the income from foreign investments. As both these sources of income have for the time being



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virtually vanished, the figures shown are more favourable to the post-war year than the complete comparison would be.

The volume of German trade in 1921 will be influenced not only by the difficulties already alluded to but by the growing disinclination of the outside world to admit German goods. How serious an obstacle defensive prohibitions in foreign countries may be is shown by the figures recently given in the House of Commons of German trade with Great Britain. The value of imports from Germany during the first nine months of this year was £15½ million, and during the corresponding periods of 1920 and 1913 £20½ million and £58½ million respectively. We do not believe that the policy which has been followed in this country and elsewhere of erecting barriers to trade with Germany is sound economically, or that in the long run it will do anything but harm to the industries of the country which adopts it. Many will contest that view; but at least there can be no sane person who would pretend that such protection is consistent with a claim for reparation payments on the scale imposed by the Allies. We are driven, then, to the conclusion that German goods must be admitted freely if reparation payments are to be possible, and that if all prohibitions were removed the total of German exports is not likely for some time to be more than sufficient to pay for necessary German imports. By ignoring these facts the Allied nations are likely to ruin first Germany and afterwards themselves.

We have referred in previous articles to the possibility of enlisting German help in the reconstruction of the devastated areas of France. The Ministers for Reconstruction in the two countries, M. Loucheur and Dr. Rathenau, who had been in negotiation for some time previously, signed at Wiesbaden in October an important agreement on this subject. The Wiesbaden agreement provides for voluntary deliveries over a period of years by Germany of building materials, machinery, and other products, for the devastated areas. Deliveries will be

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arranged through private organisations on both sides, and German suppliers will look to their Government for payment. Price and terms of contract will be settled in the last resort by a mixed commission with an independent chairman. The total deliveries under the Agreement up to May 1, 1926, must not exceed £350 million. During that period the German reparation account will be credited each year with only 35 per cent. of the value of the deliveries. Interest at 5 per cent. will be allowed on the balance, and the accumulated balances with interest will be credited to Germany in ten equal annual instalments from 1926 to 1936. Any deliveries made after 1926 will be credited in full in the year in which they are made. It is, however, provided that Germany shall not be credited in any year with a greater sum than 52 per cent. (i.e., the agreed French share) of the total amount payable by Germany in that year on reparations account.

The Wiesbaden agreement clearly implies a new and, we think, a better conception of reparations payments. In a number of points, indeed, it cannot be reconciled with the London agreement of May last. In effect, if not in the letter, it secures for France a definite priority, a first charge on all German payments. More than that, it encourages Germany to make deliveries to France during the next few years on a scale which would leave little or nothing to the other Allies; for although a limit is set to the amount which may be credited to Germany in any year, there is none to the value of deliveries. We draw attention to these points, but not in order to raise objections. We welcome, and we believe public opinion in this country welcomes, the agreement. If France can ensure under it the early restoration of the devastated areas, we shall be heartily glad. THE ROUND TABLE has never concealed its conviction that this is the real work of reparation, which Germany can properly be called upon, and which it is within her power, to perform. Not the least of the recommendations of this agreement is that it cannot be carried out

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without close co-operation between the two countries over a period of years : nothing can do more to banish memories of antagonism and to dissipate that mutual suspicion which has so long been the curse of Europe than that France and Germany should have a common part in a great practical undertaking of this kind. But if these benefits are to flow from the agreement, if France wishes above all to see her ruins rebuilt, she must adopt a different attitude to the London settlement. In signifying its warm approval of Wiesbaden, the French press was careful to point out that France abated none of her other claims, that any failure by Germany to meet payments in full as they fell due would lead to the immediate occupation of the Ruhr Valley and the division of the capital assets of Germany. As we write, a fresh campaign is on foot with the same object. If it succeeds the Wiesbaden agreement will be no better than waste paper and Europe will again be thrown into the melting pot. To prevent this should become the most urgent aim of British policy in Europe.

### IV. AN ALTERNATIVE POLICY.

**I**S there any way of escape from the morass into which Europe has floundered ? There is no short cut, certainly, leading at once to firm ground. For that the nations are too deeply involved. The complexities of one aspect of the problem, that of currency and the exchanges, are explained elsewhere in this issue, and it is shown that any hopes which may be cherished of an early return to the gold standard must be illusory. But at least there is something that could be done at once to prepare the ground. The monetary and the general financial and economic positions are all bound up with the subject of international indebtedness. The reparation claims made on Germany are one form of that indebtedness, inter-Allied loans are another. Amongst the Allies, America

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is much the largest creditor, with £1,700 million owing to her; Great Britain owes America about £850 million, or a little less than she is owed herself by the other Allies. It is improbable that any of the Allies except Great Britain will be able to pay these debts, and they fall, therefore, for the most part into the same category as the German reparation liability. They are debts on paper and little more. What we have said of the method of payment of the German indemnity is equally true of the Allied debts: they can only be redeemed from an excess of exports, which the creditor has hitherto shown no desire to receive.

The American attitude towards this load of debt is a matter for the United States Government and people and for no one else. The people of this country have no desire to offer advice to America which must necessarily appear self-interested; certainly they have none to repudiate their obligation. There is evidence of a growing body of opinion in America in favour of cancellation or at least partial remission, and this view has recently been given the powerful support of a number of prominent bankers and financial leaders. But it is right that we should make it perfectly clear that Great Britain, as far as her own debts are concerned, is neither asking for nor counting on cancellation or remission, and recognises that no move will be made or can be made on the part of the American Government unless and until the American people has satisfied itself that some step of this kind is just and also expedient in the interests both of the United States and of the debtor nations. But the matter does not end there. Recent economic developments have made it more than ever necessary for Great Britain to consider whether she should not herself take the lead in remitting some part at least of the amounts owing to her from the Allies in Europe. If, as we believe, a crisis is approaching in the dealings of the Allies with Germany, when they will have to choose between allowing the bankruptcy of Germany or moderating their

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demands, then the question of inter-Allied indebtedness in Europe cannot be avoided. This country has long since, for practical purposes, written off its German debt and anything received is treated as a windfall: the confidence recently expressed by Mr. Massey that New Zealand would obtain £1½ million a year for 37 years is unhappily shared by no one here. But France and Italy are not in a position to write off any part of their reparation claim unless they can at the same time be relieved of a corresponding liability. Here, clearly, is an opportunity for a compromise. The British Government could, by an act of magnanimity which would also be an act of selfish wisdom, bring about a revision, on terms, of the whole reparations agreement. It could urge France to rest content with that full assistance in the actual work of reconstruction for which the Wiesbaden Agreement provides, and it would do this fortified, for the first time in the protracted story of the reparations controversy, with an instrument of persuasion to be set against the French threat of immediate military action.

We do not pretend that an arrangement of this kind would finally and satisfactorily solve all or even any of our problems, but we believe that without it they are entirely insoluble. Its merit is that by clearing away a mass of dead undergrowth it would open up the true prospect to the view. All our problems—currency, exchange, public finance, the revival of trade—would become at once simpler and more real. Above all, such a settlement would mark the birth of a new spirit in international politics. Without that, peace and prosperity are a vain dream. For seven years now nationalism in its most extreme and rabid form has held the field. It has flourished above all in those new States created at Versailles, in which the absence alike of political traditions and administrative experience has made passion the only inspiration of government. On its altars France has sacrificed prestige and those imponderable moral gains which were the only real fruits of victory. Nationalism, in a word, has brought Europe to the brink of a

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precipice. As an essential factor in the life both of the State and the individual, its survival has never been in danger ; but as an overriding motive in politics it has failed and must always fail, because it is not in harmony either with the economic or the spiritual needs of the modern world. There is no call, with Mr. Wells, to preach the gospel of a world state. This generation will be content with something much less ambitious. We need the recognition by each nation that it has with others a common duty to civilisation. Armed suspicion breeds war, and therefore we need disarmament and the habit of mind which looks for security in friendly relations and common interests with other peoples. Then it may no longer be necessary to say of half the nations of Europe, as Chateaubriand said of the French, that they are "plus implacables et plus féroces que le tigre."

# AMERICA AND THE CONFERENCE

## I

“IT is rather for us to be here dedicated to the great task remaining before us . . . that we here highly resolve that these dead shall not have died in vain . . .”

No words ever spoken in the two Americas have been quoted oftener or more reverently than these of Lincoln on the field of Gettysburg, and none can be more fittingly remembered when the servants of the nations gather together at Washington on the anniversary of the Armistice. Men everywhere should be grateful for the seemliness of the manner in which the Conference is to begin. By spending its opening day in assisting at the burial of the Unknown Soldier in the Holy Field of Arlington, and testifying there their veneration for all that such a ceremony typifies, the delegates will have brought home to them in an unique way the solemn and sacred character of their endeavour. In the Unknown Soldier we salute the spirit of sacrifice, the spirit of those who gave for an ideal “the last full measure of their devotion.” In America there has been an unhappy controversy as to whether that ideal was a national ideal or a great humanitarian ideal; whether America fought only for the preservation of her own security or did indeed spring to arms to make the world safe for democracy. This unhappy controversy has been the more unhappy, because by a curious turn of events it has become largely a controversy of party politics. Some of the political aspects of the controversy may already have

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been settled at the polls. But the verdict of the polls on such a question is about as significant as the count of the division lobbies at a celebrated debate once held in the Union Society at Oxford on the motion, "That in the opinion of this house, Shakespeare is more valuable to the Empire than India." Probably no two Americans boarded a transport in Hoboken or climbed over a parapet in Champagne with identical emotions. But in the disillusionments of Versailles and St. Germain, in the passing of a great intellectual leader, in getting "back to normalcy," let us not forget that in the darkest days of the war there were some who did thrill to the vision of a better world. "Our motive will not be revenge or the victorious assertion of the physical might of the nation, but only the vindication of right, of human right; of which we are only a single champion," Mr. Wilson promised Congress on April 2, 1917, in asking for a declaration of war against Germany. We were "to vindicate the principles of peace and justice in the life of the world against selfish and autocratic power, and to set up amongst the really free and self-governed peoples of the world such a concert of purpose and of action as will henceforth ensure the observance of those principles."

The war has been won, and yet these high ideals remain unachieved. So in Washington the representatives of the really free and self-governed peoples of the world are to strive for such a concert of purpose and of action to vindicate the principles of peace and justice. It is not, to be sure, such a meeting as Mr. Wilson ever contemplated. Friends of the League of Nations in America as well as in Europe may not repress their disappointment that work so essentially within the League's province cannot be accomplished by its agency. Irreconcilables on the other hand will be equally disturbed that after repudiating the contaminations of the League, America embraces the infections of the Conference. It is indeed difficult to see how its agenda can be reconciled with the cherished American



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principle of "non-involvement." But this task must be left to those overworked students who seek consistency in party politics. There is more to be said for Lord Robert Cecil's declaration, "I don't care what form disarmament comes in. I want something done."

Nothing is, in fact, more striking than the unanimity with which people everywhere are hoping for some real achievements from the Conference. To the voices of the professional pacifists, the country parsons, the college professors, and the derided theoreticians are added the voices of the taxpayer and the ex-soldier, ubiquitous and insistent. To Capital as much as to Labour, and to Labour as much as to Capital, peace and the assurance of peace seem the crowning needs of the hour. It may be that in some quarters the Prussian theory still survives that "war is a biological necessity of the first importance, an indispensable regulative element in the life of mankind," that without it the robustness and virility of a nation give way to languor and decay. It is certainly true that to some not wholly extinct philosophies the mere fact that war is horrible and revolting constitutes no argument against its perpetuation as a human institution. But to such as these, though they be girt in the oak and triple brass of Bernhardi and Treitschke, there are other appeals. For whatever friends remain to the sword after the estrangement of the late war, there are few for the surtax. Economic laws work with a surprising indifference to race, climate or philosophy. In every country the maintenance of large naval and military establishments involves burdens of taxation which are borne everywhere with increasing impatience. And as taxation takes an increasing proportion of the fruits of production, the incentive to production diminishes, unemployment increases, and the capacity to pay taxes is reduced. The circle is as universal as it is vicious. It is as true for the Samurai as it is for the school teacher and the curate. Competitive armaments mean competitive taxation in a world already so weighted with

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financial burdens that in many countries even the prospect of ultimate recovery, if it exists at all, seems not to lie with the present generation.

Among the Allied Nations there is another spur to the limitation of armaments, and this is rivalry with Germany. The industrious German, whose energies have by Allied coercion been turned from warlike things, will certainly outstrip industrially all other countries if the energy of these others is invested in the barren instruments of war. If this should come to pass, then indeed Germany's defeat will have proved a victory and the Allied victory a delusion.

So if ever in the world there were hope of such a Conference achieving substantial results it is now. If we can do nothing now, we can hope for very little in the near future.

If, however, the occasion was never more auspicious, problems have seldom been more complicated; for the question of limitation of armaments comprehends in reality the whole question of international relationships among the nations involved, and by implication perhaps among all the other nations in the world.

At the outset, Mr. Harding had the task of determining what nations should properly be invited to such a Conference, and the selection of nine Powers is itself of capital importance. France and Britain, Japan and China, Italy and the United States are the so-called Great Powers to be represented; Belgium, Holland and Portugal are the small. It was obvious wisdom to limit the number of participants in so far as was consistent with bringing in all parties in substantial interest. If the invitations to the Conference had been more inclusive, its deliberations would have been retarded by a diversity of conflicting opinions on the part of Powers which had actually little at stake, and hence small interest in reaching a genuine settlement.

Among the nations to be represented, the presence of Britain, Japan and the United States, as the only great naval Powers of to-day, is certainly indispensable. If the

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scope of the discussions was to comprehend military armaments, then France and Italy, with large armies and positions of more or less insecurity on the Continent of Europe, were equally indispensable. And the nations which border on the Pacific, China and Japan, Britain and America, are, of course, vitally interested, because the Pacific is to-day the basin of the world's naval power. Holland's interests in the Dutch East Indies are substantial. Portugal and Belgium are present at their own request, more out of consideration to their service as Allies than for any other reason, though in the island of Macao, near Hong Kong, Portugal holds a stake on the Pacific. The participation of the three smaller countries is, it is said, to be limited to matters affecting the Pacific and the Far East. One other nation—Russia—should certainly in normal times have been represented at the Conference; but in her present troubled state, whatever one may think of the merits of the Soviet Government and its recognition, Russia as a Power on the Pacific has practically ceased to be. The Russian Army still exists, to be sure; and if Russia sought an opportunity to discuss its reduction it would be difficult to deny her. But, as things stand, she is an unlikely participant. Mr. Hughes has accurately stated the position of Russia in these words:—

In the absence of a single, recognised Russian Government, the protection of legitimate Russian interests must devolve as a moral trusteeship upon the whole Conference. It is regrettable that the Conference, for reasons quite beyond the control of the participating Powers, is to be deprived of the advantage of Russian co-operation in its deliberations, but it is not to be conceived that the Conference will take decisions prejudicial to legitimate Russian interests, or which would in any manner violate Russian rights. It is the hope and expectation of the Government of the United States that the Conference will establish general principles of international action which will deserve and have the support of the people of Eastern Siberia and of all Russia by reason of their justice and efficacy in the settlement of outstanding difficulties.

A matter of more general interest than the composition

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of the Conference from a national standpoint has been speculation as to the individual personalities who are to play their part on this hard-watched stage. Shall we have a Big Three or a Big Four or a Big Five? And who is to be Big and why? Will they conduct proceedings openly in the sight and hearing of men, or in the hush and remoteness of green velvet committee rooms? Is the general resentment over the methods of Paris to modify the conduct of business at Washington? Or is this cry for publicity after all quite impracticable? These are questions which will have been partially answered before this article is in type.

Meantime there have been suggestions in abundance. There were some expressions of feeling that the delegates to the parley should be taken, not from the old ring of soldiers and diplomats and politicians, but should be taken by lot, or in some more or less casual way, from the nations which they were to represent. Thus, it was argued, the delegates would not represent the jealousies and vanities and suspicions of a limited profession bred in the tradition of ancient corruptions, but would reflect the enlightened common sense of what Mr. Wilson would have called "plain men everywhere." Just as the Anglo-American jury represents not trained or expert judgment but the common opinion of average men. At first blush the suggestion seems not without merit. But its impracticability must be apparent. The Conference, whatever conclusions it reaches, will be barren of results unless there is some likelihood that those conclusions will be acceptable to the Governments involved. It is therefore essential that the delegates to the Conference, if they be not actually members of their respective Governments, at least command their confidence and support in as great a measure as possible. Moreover, unpalatable as the thought may be, the task of negotiating international agreements is one which only specialised intelligence and training can undertake with any prospect of success. The trouble with

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political leaders has been not that they should not be allowed to lead, but that they cannot be trusted to lead capably.

Another suggestion urged upon Mr. Harding was that of allowing representation in the personnel of the American delegation to certain groups or elements in the community. These suggestions were made most strongly on behalf of Labour and of the women. Labour, it was urged, will never endure war which throughout history has been the sport of capitalists. And women, if only they can make themselves felt politically, will see that in future the fruit of maternity is not cannon fodder. These arguments, though entitled to respect, have not persuaded the President, who has wisely insisted that the American delegates represent the nation and nothing less than the nation. In so far as particular group interests are involved, they will have representation in the staff of specialists and advisers which surrounds the delegates.

Then, as to the delegates themselves. It is scarcely an exaggeration to state that the composition of the various delegations has aroused nearly as much public interest as any problem which is to come before the Conference. Just as the question of whether or not Mr. Wilson should go to Paris in person was of more interest to the average American than any question of indemnity or territorial adjustment, with the possible exception of Alsace-Lorraine. The Peace Conference brought home to the American public with extraordinary vividness the personalities of its leading figures. It is not unnatural therefore that the probability of Mr. Lloyd George's coming has been discussed with the keenest interest. M. Briand is a far less familiar figure in this country than M. Clemenceau, or even M. Viviani, but America will welcome in him the head of a nation which an impressive number of Americans revere as another fatherland. And Marshal Foch is not even conceded the right of being a Frenchman: he is almost as much a national hero in America as in France. The choice of the American

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delegates has on the whole met with general approbation in the United States. Senator Lodge and Senator Underwood are respectively majority and minority leaders in the Senate, which will ultimately be called upon to ratify whatever treaty the Conference produces. It is elementary political wisdom to give them a place among the delegates to the Conference. It was the lack of such political foresight which brought about the humiliation and misery of the Senate's handling of the Treaty and the League. The objection has been made, to be sure, that members of the Senate should not, under the Constitution (Article I, Section VI), hold any other civil office under the United States, and this argument may have some theoretical validity. But it has never prevailed. Senator Henry Clay went to Ghent in 1814 to negotiate the treaty with Great Britain. Senators Frye, Davis and Gray went to Paris in 1898 to conclude a treaty with Spain. And, in practice, service on such a delegation is scarcely more outside the ordinary work of a senator than service on an important Senatorial Committee. In Mr. Root and Mr. Hughes the United States avails itself of the services of veteran lawyers with a large experience in politics and international affairs. Mr. Root was Secretary of War in President McKinley's Cabinet, 1899-1904, Secretary of State (Foreign Affairs) in Mr. Roosevelt's Cabinet, 1905-1909, Senator from New York, 1909-1915, and is a member of the Permanent Court of Arbitration at The Hague. Mr. Hughes, the present Secretary of State, served as Governor of New York, 1907-1910, Justice of the United States Supreme Court, 1910-1916, and was Republican candidate for President against Mr. Wilson in 1916. Both have been loyal and influential party men, but, unlike Mr. Lodge, have manifested a sympathy for the League of Nations which to the irreconcilable mind seemed heresy, or worse. We may rely on them for practical work. If the American delegation errs, it will not be on the side of visionary idealism. There is more to be feared from

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conservatism and adherence to tradition than from any rashness for reform.

The other delegates will come to Washington less well known, but they will encounter nothing but favourable predispositions. The Oriental plenipotentiaries are known to be quite the equal in ability of their European associates. Delegates from the British Dominions will be particularly welcome. Canada and Australia, with their great territories of white peoples on the shores of the Pacific, have more in common with the United States than any other nations. The problem of their integrity and security as white nations is almost identical with America's. It is difficult to understand what can have given Mr. Hughes, the Australian Premier, the idea that America had "slammed the door" in the face of the Dominions. It would be peculiarly unfortunate for such an opinion to obtain a foothold and it is as baseless as it is dangerous. The United States did voice objections to the holding of any preliminary conferences, except of course on the part of individual delegations, on the ground that such conferences might import to the full Conference prejudices and convictions which would impair the prospect of its success. The nature of such objections should not be misunderstood, though it may well be doubted what evil consequences would have followed from a preliminary conference of British and Dominion representatives.

Among the many pitfalls which beset the delegates is certainly one which has wrecked less august assemblies—namely, the tendency to trade advantages and concessions or in American parlance to "log roll." Surrender to this tendency is one of the severest indictments brought against the Paris Conference. Traces of it abound in the Treaty, as they do in the legislative enactments of nearly all modern democratic states. One proposal quite seriously put forward in this country was that America should offer to "forgive" her debt to those who disarm. Baldly put, this would mean that America should purchase with money

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compliance with her wishes for disarmament, but of course this sort of project never is baldly put by its advocates. It seems never to occur to them that if a limitation of armaments is right it should be adopted because it is right and for no other reason; and if the cancellation of all or part of the American debt is right, it should be cancelled because it is right and for no other reason. As General Bliss aptly remarked at Paris, "It can't be right to do wrong even to make peace." Equally improper of course was the suggestion said to have been made by some irresponsible Frenchmen that France should trade her support in the Pacific for American support on the Rhine. It is strange that civilisation should not by this time have arrived at a point where merely to state such a proposition is to refute it. Bargains so crude should deceive no one. Nevertheless it may safely be predicted that the progress of the Conference throughout its entire course will be threatened by compromises scarcely less defensible, and it is gravely to be feared that some results are almost certain to be obtained at the expense of concessions which the future will deplore as sincerely as some of those reached at Versailles.

## II

**T**HE Conference is uniquely favoured then by the almost universal desire of mankind to limit armament. It is seriously endangered by the almost universal desire of mankind to limit the other countries' armament before one's own, to attempt to achieve results by bargaining and jockeying, and by suspicions and conservatisms of the baser sort.

Now as to the agenda of the Conference and its prospect of specific accomplishment.



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The agenda transmitted by the United States to the Powers is as follows :

### *Limitation of Armaments*

1. Limitation of Naval Armament.  
Basis of Limitation—Extent of Limitation—Fulfilment of Conditions.
2. Rules for Control of New Agencies of Warfare.
3. Limitation of Land Armament.

### *Pacific and Far Eastern Question*

1. Questions relating to China—Principles to be applied.
2. Application to subjects :
  - (a) Territorial integrity.
  - (b) Administrative integrity.
  - (c) Open door—Equality of administrative and industrial opportunity.
  - (d) Concessions—Monopolies and other economic privileges.
  - (e) Development of railways.
  - (f) Preferential railroad rates.
  - (g) Status of existing commitments. Questions relating to China.
3. Mandated Islands.

At the outset, of course, we encounter the misconception that the Conference is to aim at complete disarmament and a sort of Tennysonian millennium of world-federation and Krupp-made ploughshares. Desirable as millennia undoubtedly are, practical men anticipate nothing so far-reaching from the Washington Conference. In the existing state of Society and in any state of Society within our range of rather low visibility there will be need of armies and navies. The point is that these armies and navies must exist for the welfare of Society and not for its wreckage ; for law and for order, not for outlawry and for turbulence ; to permit mankind to go about peacefully on its lawful occasions, not to make all life and all occasions impossibly burdensome and hazardous.

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It is in the sphere of naval armaments that most is expected from the Conference. It is in this sphere that there is most need of an understanding; land armaments are said to have found their way into the agenda as an afterthought. Britain has abandoned the two-power standard which was formerly the corner stone of her naval policy. The German navy is dispersed and she has at last a respite from her naval rivalries. Japan is her ally by contract. America is her ally by blood. But Japan and America meantime are both building unprecedented fleets, each protesting that it is not building against the other, but each regarding the other from out the corner of her eye. America has hostages in the Western Pacific which with her naval power it is generally conceded by the naval experts that she cannot defend with the means at her command. If the Philippines and Guam and even Hawaii are to be protected, in the event of an American war with Japan, there must be a great expenditure on fortifications and naval bases in the Philippines and in Guam as well as in the other American islands in the Pacific—Hawaii, Midway, Tutuila (Samoa) and in the Aleutians. The present disparity between the Japanese and American fleets in battle cruisers and light cruisers must be rectified by American construction. And this means construction to an extent greater than that heretofore authorised by Congress. In the meantime, Japan cannot be expected to be a silent spectator of such warlike preparations, even though they be conceived as defensive rather than aggressive. In the Bonin islands and the Caroline, Marshall, Pelew, and Ladrone archipelagoes, Japan can construct bases whence fleets of submarines and destroyers could prey on the American line of communications to the Philippines. These bases would surround Guam, which is conceded to be America's key to the Western Pacific. The potentialities of conflict are endless. A war between America and Japan, as was pointed out in the September number of *THE ROUND TABLE*, would be a war on lines of colour, with

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incalculable consequences of evil. The United States probably could not fail to be the ultimate victor, but its victory might come only after humiliating reverses and would be purchased at a wholly disproportionate loss of blood and treasure, yielded up for the most part in defence of islands which America does not need. Japan, on the other hand, though she might confidently hope for striking successes in the first stages of such a war, could not gain appreciable and permanent advantages. Her people are already taxed to the utmost, and a long war would probably lead to violent internal complications, without solving her problem of excess population.

It may be that the only alternative to war between Japan and America is a general understanding which shall prevent it. A continuation of the present naval competition will almost inevitably precipitate conflict.

What form might such an understanding take? In the first place, there will probably be a proposal for a more or less protracted holiday (3-10 years) in naval construction after the completion of vessels now building. Such an agreement may and should be supplemented by mutual agreements neither to construct nor fortify naval bases in the Pacific. Both these agreements have been represented by different organs of the Japanese Press to be satisfactory to Japan. They ought to be satisfactory to the United States and to the British Empire, whose power is not now menaced from any quarter. A breach of either agreement by either party would of course give a right of rescission to the other. That would mean that the *status quo ante* of competition would be restored, and that the Conference had availed nothing. This difficulty suggests a question as to whether the parties ought not to give some security for their undertakings. There is perhaps small precedent for such a procedure, except in the case of dictated treaties where the vanquished party has given hostages—*e.g.*, the occupation of the Rhine.

Another difficult contingency may be contemplated.

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Suppose Japan, Britain, or America should commit some act of pure aggression in the Pacific or for that matter anywhere else. Can such an act be forestalled by an agreement at the Conference? And if not, of what use are the other agreements? Suppose an unprovoked Japanese descent on the Philippines or an American descent on the Carolines. Will not each country demand from the Conference some guaranty against such aggression? Suppose Britain, Japan and America should covenant each to give assistance to the other in case of an unprovoked attack by the third. To some extent such an agreement would involve nothing more than a recognition of facts as they exist. America could not calmly contemplate a Japanese attack on Canada, Australia, or New Zealand. The Empire could with difficulty preserve her neutrality in the event of an attack on the Philippines or other American possessions in the Pacific. Under the terms of her alliance she could scarcely be neutral if Japanese territory were made the object of an American attack. Some such agreement, it seems, must replace the present Anglo-Japanese Alliance, which, as the author attempted to point out in the September number, is a serious obstacle to the cordial relations between England and America, which must be at the root of all international understandings if Peace is to exist in the world. And yet when analysed such a treaty or tacit entente would be perilously near to Article X of the Covenant of the League. Can it be that history is to repeat itself in so short a cycle, that the Harding ship will founder upon the same rock as the Wilson ship and almost before the Wilson wreckage has been washed away? Here is food for thought.

Under rules for control of new agencies of warfare there will doubtless come up for consideration the proper use of submarines, of gas and chemicals, and perhaps of the aeroplane. These are eminently questions for the experts and the technical advisers whose detailed decisions are not easy to forecast. But it is unlikely that the use of any of

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these agencies will in practice be much more restricted in future war than in the past.

As to land armaments generally, the Conference seems to face another well nigh insoluble problem. A computation as of September 1, 1921, credits China with 1,370,000 active troops, France with 1,034,000, the British Empire with 740,500, Russia with 538,000, Poland with 450,000, Italy with 350,000, Japan with 300,000, Greece with 255,000, Spain with 253,000, Switzerland with 170,000, Turkey with 152,000, Czechoslovakia with 150,000, the United States of America with 100,000. These figures are, of course, not a fair index of military strength, because they take no account of reserves, organisation for mobilisation, etc. Japan, credited with a reserve of nearly two million, is, of course, a more powerful military nation than China. Italy has a reserve of four and a half million. There seems pitifully little hope of altering all this. China is in turmoil and cannot disarm. France feels herself in peril from Germany and will not disarm without guarantees from Great Britain and from America which she cannot get. The British Empire's overseas responsibilities are so vast as to make great reductions out of the question. Russia and Poland fear one another, not without reason. Italy is in far from a settled condition. Japan is in no likelihood of reducing her army. Greece and Turkey are unable to make peace. The United States can certainly carry her reduction in army personnel no further. It is a dismal enough outlook.

With disarmament on land it is perhaps wiser to begin at the bottom. The top-heavy armies of some of the smaller European countries are more dangerous to the peace of the world than the armies of the great military powers. Fires start not in great timber but in shavings. The history of the Balkans, enforced by the recent attack of Serbia on the undefined frontiers of Albania, abundantly illustrates the dangers of permitting these nations anything more than nominal military establishments. How to enforce these

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limitations is another and more difficult question. But, as modern warfare is largely a matter of matériel and the production of matériel requires unusual industrial organisation and facilities, national control of munition-making and free international exchange of information on armament production might go far to provide a remedy. Munitions of war have been manufactured for the most part in Britain, France, Italy, America, Germany and Austria. There should be a limitation in the traffic in firearms and munitions as strict as in the traffic in opium. It should be recognised that to sell huge consignments of rifles to small and relatively irresponsible states is as immoral as to sell a .48 calibre revolver to a child of six. Without weapons the marchings and mobilisations of such countries would be as innocuous as the hissings of a fangless serpent. Once armed, these nations, with their smouldering hatreds and ancient animosities, constitute a menace to peace far more real and formidable than the larger nations with their larger establishments.

All this, however, is rather without the field of the coming Conference, at which the smaller states are not to be represented. Nevertheless, the principle of rigid governmental control of the manufacture of munitions should obtain recognition at Washington. Such a control over the munition-maker is certainly a far less drastic social measure than the national prohibitory law which has been written into the Federal constitution of the United States and is far less an impairment of "the rights of the individual" which are so favourite a subject of discussion.

Then comes China. The hinges of her celebrated door must be well nigh worn out with swinging this way and that. It was in 1899 that Mr. John Hay, then the American Secretary of State (Foreign Affairs), obtained the accession of the Powers to the doctrine of the "Open Door." To-day the United States stands more firmly than ever for her traditional policy. This means that there is to be a sort of Monroe Doctrine for the Orient—in short, that China

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must be open, alike to the trade and commerce of all nations. The policy of special concessions and special privileges must be stopped, and stopped by an international agreement rigorously enforced. The Chinese were for centuries in the foreground of the world's civilisation. A China strong and self-respecting would make an incalculable contribution to the world's welfare and prosperity. On the other hand, if China's weakness and disunion are to be taken advantage of by unscrupulous powers seeking merely their own aggrandisement, the peace of the world will never be secure. This principle is of the simplest and should be accepted as fundamental. It will be a tragic mistake if it is not maintained with the utmost vigour. The American delegates are not likely to permit any misunderstanding on this vital point, and it is hoped that the other delegations, without exception, will support them. If there is to be any express Treaty as to armaments on the Pacific, then China should have the benefit of all the protection the Treaty can accord. On this, as on all other questions, the Conference should give the most attentive consideration to the views of the Chinese delegates. It is wholly legitimate that all nations should covet the Chinese market. It is wholly illegitimate that any nation should covet Chinese territory.

But suppose these principles are applied, as they should be, logically to the past as well as to the future. Japan's complete withdrawal from Shantung and from Eastern Inner Mongolia would follow as a matter of course, as well as the abandonment of many economic concessions. But, she may point out, in such a case, Great Britain is under an equal duty to evacuate ports, like Hong Kong and Shanghai, and France to evacuate Indo-China. Some statesmen feel that such an argument would cause grave embarrassment. Others suggest the existence of a doctrine of national prescription, which would justify the earlier acquisitions of European powers in China on the ground of long user if for no other reason. Here, too, is food for thought.

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If an adjustment can be reached on the questions of naval construction, island bases, and Chinese integrity, there should be comparatively little difficulty in respect to the "mandated islands." The problem of Yap appears to have been adjusted by negotiation between the United States and Japan. The principle of non-fortification and the "Open Door" should apply to all alike. There should not be any objection to this. The very word mandate implies a trust and the trust should be in favour of mankind and not of any nation or group of nations.

The attempt has been made to comment on the problems of the Conference in the order given in the agenda, but of course it is not to be supposed that that precise order will be observed or even that it is necessarily the most desirable. In point of fact, the questions of limitation of naval armament, peace on the Pacific and integrity for China are so intertwined as to be practically inseparable.

If these agreements for peace can be attained, then indeed shall we be able to stand in our abbeys and beneath our triumphal arches and in our cemeteries and say with bowed head and reverent heart "They have not died in vain." But if the problems prove insoluble and the Conference adjourns with no tangible achievement, and the race for supremacy goes on faster than ever, let no man sneer or say that all has been in vain. It is something to have accepted the principle that national armaments are of more than domestic concern.

The United States of America.

October 19, 1921.



# INDIA

## I. THE MOPLAH REBELLION

THE Moplah insurrection on the west coast of Madras has demanded, in the present state of political conditions in India, public attention to a degree unknown in the past. The outrages which have been recorded have not, however, been wholly unparalleled in the history of the Malabar district. From 1796 to 1809, just after the occupation of the West Coast by the East India Company's troops, guerilla warfare was carried on by the Hindu peasantry, with whom were associated the Moplahs. It may be of interest to recall that Sir Arthur Wellesley (the Duke of Wellington) took part in the suppression of the rebellion. From 1836 onwards to the present day local unrest among the Moplahs has been a chronic feature of Malabar history. During the intervening years between 1809 and 1836 the powerful castes of Hindu landlords had settled down, with their rights in the land completely acknowledged, to the detriment, it is feared, of the prosperity of their tenants, who included a very substantial number of Moplahs.

The Moplahs are Moslems of a fanatical type, as different in their own way to the ordinary Indian Mahommedan as the tribes of the North-West. They claim to be descendants of Arab ancestors. It is probable that they are the descendants of converts made by Arab merchant sailors and military adventurers; some at least of them have a strain of Arab blood. Malabar, and, indeed, the

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South-West Coast, was for centuries the gateway for foreign trade—even, it is believed, from the time of King Solomon. Coins of the Roman Emperors have been found in the region, and the Jews have an ancient synagogue preserved to this day in Cochin. Arab, Portuguese, Dutch, French, and Danish settlements in turn were established, and in some cases exist still as vestiges of the maritime power of those nations.

The Moplahs mainly inhabit the civil districts of Malabar and South Canara; they overflow into the mountain district of the Nilgiris and the native state of Cochin, but they are concentrated in the two Taluks of Ernad and Wala-vanad in the Malabar district, where out of a population of 3,000,000 they number 1,000,000. They are tenant farmers, sailors, and ferrymen on the backwaters and rivers which traverse the district. Large numbers of Moplahs migrate as labourers to rubber and other plantations; they are generally appreciated as very good workers, and command substantial wages for their services. Vigorous in action, possessing great physical courage, reckless when under the excitement of passion, they retain to this day the characteristics of their seafaring piratical ancestors. Their fanaticism is only equalled by their ignorance; only one out of every ten males possesses even the rudiments of education—the census of 1911 records only 500 out of half a million who returned themselves as literate in English. The physical inaccessibility of Malabar has, indeed, kept all its communities out of the general stream of developing life in India, and it is only in recent years that the most literate Hindu classes have been affected by this new outer world. The Moplah, however, has an outer world, and that is the world of Islam. He is shut off from the rest of India by the great mountain range of the Nilgiris, which runs parallel to the sea coast at an average distance of some 50 miles, and his real world is the Indian Ocean and the Moslem countries whose shores it laps. His community for centuries has been a

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Mahommedan outpost of the Middle East, even as his neighbours, the Syrian Christians of Travancore, have been an outpost of the Eastern Church. In 1857 the Indian Mutiny had its reflection in a wave of religious fanaticism which passed over this distant community, and again in 1885 the Mahdist movement in Egypt was one of the causes, if not an important cause, of the rebellion of that year.

In 1880 a British member of the Indian Civil Service was deputed to inquire into the chronic unrest of the Moplah community, and he reported that trouble was due to certain causes, among which were: (a) The existence of the precarious tenant right by which the Moplah held his lands, (b) the difficulty he experienced in acquiring sites for mosques and burial grounds. This chronic unrest flares into open rebellion when fed by religious propaganda.

Early this year the Khilafat movement workers, which included Hindu non-co-operators, visited Malabar and, in spite of local warnings, insisted on holding meetings, though some of them were prohibited by the authorities, and a prominent Mahommedan leader was arrested and imprisoned for infraction of police regulations. In June reports were received of voluntary local organisations which carried on their propaganda in secret. In this month the police arrested a Moplah who was charged with breaking into a landlord's house. The action of the police nearly led to a riot, which was, however, averted. On August 21 the police sought to arrest certain Moplah criminals at Tirurangadi, a Moplah religious stronghold. After effecting these arrests in the early forenoon the police forces were unsuccessfully attacked that afternoon by armed bands. Two police officers were killed. In the meantime armed mobs appeared on several of the neighbouring main roads, and forces were sent out to disperse them, the railway lines were cut in various places, and a station was completely wrecked. In fact, the three *taluks* of the district of Malabar were completely overpowered by Moplah rebels. Many

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Hindus, especially those of the landlord class, were murdered, and others of the lower castes have been forcibly converted to Islam ; some Europeans, particularly police and military officers and planters, have been killed. Property has been looted and, what is most serious in a country such as India which is entirely dependent on its crops, agricultural operations have been suspended owing to the lawless condition of the countryside, and the district is to-day faced with famine.

Martial law was immediately proclaimed in Malabar, and on August 26 a fierce encounter took place at Podakuttoor between a company of British soldiers and a Moplah mob who were armed with guns, swords, and war knives. The rebels were finally dispersed after a battle which lasted for five hours, having lost, it is reported, 400 men killed. By the middle of September the situation was well in hand, and though large gangs of dacoits were still about, attacks on the troops and the police had almost entirely ceased. The problem, however, with which the administration is faced is to break up these gangs, to arrest the criminals, to restore the Hindu refugees to their homes, and to tide over the period of inevitable famine. The task is a very heavy one. The Malabar district consists of a narrow littoral intersected by numerous rivers which, by tide pressure, form backwaters ; by spurs from the low foot hills, covered with impenetrable bush, which run almost to the sea, thus making communications even more difficult ; of uplands with deep ravines, backed by the high range of mountains already referred to. The uncultivated lands are covered with almost impenetrable tropical forests, and it will need adequate forces ; adequate to give protection to the peaceful Hindu cultivator against the depredation of roving bands, and also to reduce these bands to submission by blockade. In the meantime large and important villages are still in the hands of the rebels ; some of the leaders have proclaimed their independence as local kings, levy blackmail on the Hindu population, and

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flaunt the ascriptions of royalty even to the establishment of law courts and the issue of currency notes.

In India the Moplah rising has given rise to much controversy. The Viceroy, in his speech to the Legislative Assembly last September, as also the Home Member, Sir William Vincent, have attributed the rebellion to the inflaming of the minds of a fanatical people by the teachings of extremist political leaders. To what extent they anticipated the dire results which undoubtedly followed their efforts it is beyond our power to say.\* The newspapers, of whatever political complexion, and the Government *communiqués*, are apparently in substantial agreement on the facts. Journals even of the extreme party express their regret for the occurrences. The rebellion has disillusioned many whose tendencies were extremist—even though a Congress Committee has sought to minimise the seriousness of the situation. The murder of many innocent Hindus, and particularly their forcible conversion to Islam, will not be readily forgotten. A significant feature of the situation is the support given to the Executive of the Legislature in the enforcement of martial law in the affected districts.

### II. PARLIAMENT AT SIMLA

#### *The Deputy Presidentship*

THE Delhi Parliament, whose auspicious opening was described in these pages six months ago, held a brief session in Simla in September. Many contrasts between Delhi and Simla spring to the eye; and, in the case of the Indian Legislature, such contrasts were not wanting. Where the Delhi session last February opened upon an unknown prospect, the Simla session had not the same

\* The Hindu non-co-operationists can hardly have expected the turn the movement took against their co-religionists.

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degree of possible surprise in it. Where the Delhi session opened in brilliant sunshine, the Simla session was surrounded almost throughout its entire duration by the heavy mists of a belated monsoon. The meteorological omens, however, are not to be taken as the decisive augury of Parliamentary achievements in Simla. On the contrary, while it is no doubt necessary to apply a different and, perhaps, a higher standard to the labours of Indian parliamentarians in proportion as their experience grows, the reputation won in Delhi has, on the whole, been retained.

The Simla session opened on September 1. The latter half of the President's opening speech dealt with a subject of some permanent interest. The Legislative Assembly and each of the Provincial Legislative Councils elects its own Deputy-President; but the functions assigned to this important parliamentary personage are small, and it is, therefore, impossible to draw a close parallel between him and his big brother at Westminster, the Deputy-Speaker and Chairman of Ways and Means. It is just as important, none the less, at Simla as it is at Westminster, for the Deputy-President to be above the suspicion of partisanship. The difficulty which must arise as long as the Deputy-President has little to do and yet is one of the most important members of the Chamber, is that the tradition of his office tends to impose upon him a severe self-denying ordinance in controversy, while the present conditions of his office make it almost a sinecure.

This dilemma became acute at an early date in the Provincial Legislative Councils and only remained in the background of the Legislative Assembly because the first holder of the office of Deputy-President, Mr. Sachchidananda Sinha, bore himself with such skilful discretion in Delhi. During the recess, however, Mr. Sinha was appointed a member of the Executive Council of the Governor of Bihar and Orissa, and a vacancy was, therefore, created in the Deputy-Presidency of the Legislative Assembly. Immediately upon the reassembling

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of the Indian Legislature in Simla, the President of the Legislative Assembly announced the consequent necessity of electing a successor to Mr. Sinha as Deputy-President. In doing so he referred to the undefined position of the office, but declined to give a peremptory ruling, and after an interesting comparison between the office and the equivalent one at Westminster he suggested to the Assembly the desirability of following faithfully the *spirit* of Westminster, but of modifying to its own needs the *letter* of House of Commons practice. He ended with the words "solvitur ambulando."

When the date of the election arrived, no less than four candidates were proposed and three ballots were necessary to produce a result. That result was a tie between Sir Jamsetjee Jejeebhoy, a distinguished Parsi from Bombay, and Dr. H. S. Gour, an active and forceful politician from the Central Provinces. Each polled 53 votes. The President ordered a recount, which revealed precisely the same result. Acting under the mandatory instructions of the Government of India Act, the President then gave his casting vote for Sir Jamsetjee Jejeebhoy, whose election shortly afterwards received the formal assent of the Viceroy.

The decision of the Chair in this case could not be challenged. Cool observers, however, who were not engaged in the contest, could not help feeling that it was distinctly unfortunate that the turn of the wheel of parliamentary fortune should have compelled Mr. Whyte to give his first casting vote in the Legislative Assembly on a purely personal issue in which feeling had already run high.

The incident of this election has an intrinsic interest of its own. It has given rise to the first notable signs of party formation in the Indian Legislature. Of all the members of the Legislative Assembly, Dr. H. S. Gour, Member for Nagpur, and one of the defeated candidates, is the most active in debate and the most resourceful in other political activities. He would probably make his mark in any debating body; and, in Simla, he has gathered round

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him what may be the nucleus of a party. His contest for the Deputy-Presidency gave him a rallying point which was much needed, and probably his defeat may turn out to be a blessing in disguise, inasmuch as it has aroused the personal sympathy of a number of members hitherto loosely attached to him. Dr. Gour's chief difficulty will be to retain these sympathies.

### *Legislation and Debates*

The story of the Deputy-Presidency anticipates by several weeks the course of events. Lord Reading opened the Simla session on Saturday, September 3, with a speech which covered a wide range of public policy, but which was, perhaps, more important in tone than in substance. Space does not permit us to follow in detail the variety of subjects which the speech covered; the high standard set by the Legislature at its first session and its legislative achievements, the impending visit of the Prince, Sir Thomas Holland's resignation, the speaker's hopes for a successful issue of the negotiations with Afghanistan, his less cheerful words about the North-West Frontier, where not only the border provinces but India herself has to be defended, his hopes for a peace in the Near East which would be reasonably satisfactory to Turkey and to Indian Muslim opinion, his reference to the League of Nations and the Imperial Conference and India's part in those bodies, and to such domestic matters as Repressive Laws, the promised enquiry into 86 cases of imprisonment in connection with the Punjab disturbances of 1919, Indian army reform and other military matters, trade, industries and finance, and Labour and racial troubles. The Viceroy ended with a caution against too rapid advance along the path of constitutional progress without testing sufficiently the machinery set up by the Reforms, and an appeal to members not to restrict their work to Parliament,



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but to go forth among the people. The bulk of the speech was naturally concerned with the Moplah rising, which has already been described in a previous section, and His Excellency pointed out the inevitable result of preaching subversive doctrines, notwithstanding the fact that the leader of the movement to paralyse authority himself set his face against violence. In so far as the Imperial Conference was concerned, Lord Reading noticed with satisfaction the notable recognition of the Conference, with one dissentient, of the equal status of Indians in the Empire. He would do his utmost to get South Africa to fall into line on this matter with the other Dominions.

The substance of the speech has been so long common property that it is hardly necessary to repeat it in detail ; but it is relevant to the purpose of this account to emphasise the instant and close understanding which the new Viceroy thus established between himself and the Indian Legislature. Lord Reading has spared no pains to keep himself in constant contact with public opinion. This speech was but one of many measures taken by him to display his understanding of Indian needs and to announce his desire for close co-operation with the representatives of the Indian peoples. It is one of the commonplaces of the situation that, owing to non-co-operation many, if not most, of these representatives are not to be found within the walls of the Legislature. That, however, is not the fault either of the Viceroy or, indeed, of the constitution in which he is the principal figure. As long as the leaders of non-co-operation fail to see that the present system of government in India offers a very substantial instalment of Home Rule, many of the most important figures in Indian public life will remain outside the Indian Parliament. There are signs, however, that, even in the ranks of non-co-operation, men are beginning to appreciate the change wrought in Indian politics by the Government of India Act, and the still greater change which the working of the present Legislatures has already accomplished. Whether the growing recognition of these

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facts will avail to modify the political attitude, apart from the racial bias, of the non-co-operators, still lies in the undisclosed future.

Though the Simla session was short, it was not barren of achievement. The Bills passed into law were few and comparatively unimportant; but the presentation of the reports of the Select Committees on the Press Act and on the Repressive Laws would have made the September meeting of the Legislature significant and important even if nothing else had been done. Bills based upon these reports have been introduced and will be passed into law in Delhi three months hence, and will thus inaugurate beneficial changes in the law governing the free expression of opinion. The Government of India has taken a courageous step in accepting the reports of these two Committees, and has thereby thrown the onus for the maintenance of orderly progress in India upon the popular leaders of the country. A step of this kind was really inevitable in present circumstances; but it remains to be seen whether this obligation will be duly discharged by those upon whom it has been laid.

The Assembly held at least three important debates which call for notice. The most striking and successful of these arose out of a Resolution moved by Mr. Samarth, an able lawyer from Bombay, asking for the removal of the prevailing distinctions between Europeans and Indians under criminal trial. The mover of the Resolution stated his case with convincing moderation and a great parade of historical detail. He was followed by Mr. C. W. Rhodes, an influential representative of the European community in Bengal, whose speech undoubtedly assisted his Indian colleagues to realise some of the difficulties inherent in the proposal. The debate followed the course and imitated the example of these two leading speeches; and in the end Sir William Vincent, on behalf of the Government, accepted the principle of the Resolution and undertook to set on foot an enquiry into its application.

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Another Resolution, proposed by Sir Sivaswamy Aiyar, demanded the restoration of the North-West Frontier Provinces to the Punjab and, in particular, the replacing of the Judicial Administration of the former under the High Court of Lahore. The debate went badly for the Government and the Resolution was carried against its opposition. The most striking feature in it was the almost total absence of any reference to the military implications of the proposal. This was all the more remarkable because recent operations in Waziristan have revealed the crucial importance of the army in the Indian polity. It is hardly too much to say that the military problem is the most critical question now facing the advocates of Indian Home Rule ; nor is it any exaggeration to say that these advocates do not recognise the fundamental importance of self-defence as an element in self-government.

The third Resolution was the most comprehensive of all. Rai Jadunath Majumdar Bahadur, a veteran politician from Bengal, on September 23, moved the following Resolution :—

This Assembly recommends to the Governor-General in Council that he may be pleased to move the Secretary of State for India in Council for taking necessary steps for ensuring :—

(1) the transfer, from the beginning of the next term of the Legislative Councils of all provincial subjects to the administration of the Governor acting with Ministers ;

(2) the transfer, from the beginning of the next term of the Legislative Assembly from among the Central subjects of all subjects except Army, Navy, Foreign, and Political Departments to the administration of the Governor-General acting with Ministers, provision being made for such constitutional changes as may be necessary in that behalf on the lines of the provision for administration of transferred subjects of the Local Governments ; and

(3) conferment from the beginning of the fourth term of the Legislative Assembly, of full Dominion Self-Government in India.

A long debate ensued, and at one time it seemed as if the Assembly had so completely entangled itself in amendment and counter-amendment that it could never reach a clear

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decision. We are not concerned here, however, with the mere vicissitudes of the debate, and it will suffice to say that, though the patience and ingenuity of the Chair were severely tried all through the discussion, which lasted for seven hours, ultimately a clear course was marked out by Mr. Hailey's suggestion that the Government of India should draw the attention of the Secretary of State and the Imperial Parliament to the character of the debate, and that the Assembly should place on record its opinion that the present development of the Indian constitution would justify an examination of the whole problem before the expiry of the ten years prescribed by the Government of India Act. The debate revealed in the clearest possible fashion a marked cleavage of opinion of two kinds. There were, first of all, the supporters of Mr. Majumdar's Resolution who wished to forcè the pace. Acting under the pressure of sceptical opinion outside the Legislature, they hoped to use their undoubted parliamentary power to bring about speedy changes in the direction of complete self-government. Another opinion was expressed by most of the Mahommedan members of the Assembly, who professed to foresee in any rapid advance towards self-government a menace to the interests of their faith. The Mahommedan displays on the whole a lower political aptitude than the Hindu, and owing to his position in a minority, he fears what one speaker called "a leap in the dark." This cleavage of opinion cannot be ignored; but there is a more important line of division between the supporters of the original resolution and those who see in the present constitution ample powers of which full use has not yet been made. A powerful speech expounding the latter conception was made by Mr. Clayton, a member of the Indian Civil Service from Burma. From the parliamentary point of view Mr. Clayton's argument made an immediate and visible effect upon the Assembly; and it was even maintained by certain observers that had the division been taken when Mr. Clayton sat down, the reso-

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lution itself, and even some of the less ambitious amendments, would have been defeated. To force the issue to a negative result of this kind would have been a mistake ; for it would have sent the elected members of the Assembly back to their constituencies empty-handed. Mr. Hailey's proposal saved the situation in a reasonably satisfactory manner.

The debate disclosed the already well known fact that it is difficult for the Indian coming new to them to appreciate the political value of those conventions which, to a far greater extent than the written word of any statute, govern the entire public life of England. If the Assembly had eyes to see, it would rapidly realise that during the brief period in which the new constitution has been in operation, the powers granted by the Government of India Act have already grown into something more substantial than the original design of the authors of the Montagu-Chelmsford report. A parliamentary body composed of British public men would, beyond question, find the present prerogatives of the Indian Legislature fully effective for the purpose of popular control over the Executive. But when this conception is placed before the Indian politician, he replies by pointing to the actual terms of the Act and by asking how these terms can possibly have been changed or expanded by the mere passage of time. Only those who have watched closely the working of the Indian Legislature and of the Provincial Legislative Councils can supply the answer ; but it is to be feared that the great majority of those who sit in these bodies have not yet been enabled to open their eyes to the political value of their own achievements. Unless and until they do so, resolutions of the kind proposed by Mr. Majumdar will be brought forward with increasing frequency, and can serve no purpose except to reveal the already well known fact that India is impatient.

As pointed out above, the present parliamentarians in India have it in their own power to satisfy this impatience. No European tongue can persuade them of this power ; but

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there are signs that some of those engaged in Indian public work are beginning to appreciate the force of this contention, and that the political development of India may proceed without the deadlock between the Imperial Parliament and the Indian Legislature which is inherent in Mr. Majumdar's resolution.

The personnel of the Indian Legislature has remained practically unchanged, and the leading men in both Chambers still retain the position which they won in Delhi. It cannot be said, however, that either Chamber has yet thrown up a real leader. That is, perhaps, the real reason why the realisation of its full powers is slow in dawning upon the Indian Legislature. One or two members, particularly of the Legislative Assembly, have emerged into prominence in Simla ; and several courageous speeches have been made in opposition to proposals which, though popular, were impolitic. The principal changes have been the migration of the Home Member, Sir William Vincent, from the Council of State to the Legislative Assembly, and the resignation of Sir Thomas Holland owing to his part in the Calcutta Munitions Case. Sir William Vincent is wont to complain that parliamentary work makes an excessive demand on his time ; but he displays an evident pleasure in debate, and has won no small degree of confidence from the Indian majority opposite him. Generally speaking, the relations between the Government and the Indian majority remain satisfactory, though the prevailing racial feeling in the country finds expression at Question time and during debate. This is probably an inevitable condition, due to the fact that until full self-government is accomplished, the Executive Officer of British birth will remain in Indian eyes the badge of a condition of subjection which, none the less, is rapidly passing away. As regards the relation between the two Chambers of the Indian Legislature, the Council of State has taken an important step in amending its own Standing Orders, so as to permit a full discussion, though no division, on the

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Budget. The Legislative Assembly is jealous of its financial rights and may, perhaps, resent the action of the other Chamber ; but in view of the presence in the Council of State of many men, both Indian and European, who hold prominent positions in the commerce of the country, it is only natural that this increased opportunity of debate on national finance should have been sought. In Delhi the timely co-operation of the two Presidents succeeded in avoiding what might have been an undesirable conflict between the two Chambers on this subject, and there is no reason to doubt that they will be able to still any clash of interest that may threaten to arise.

While the Indian Legislature was in session in September an important conference on parliamentary procedure was held in Simla under the chairmanship of Mr. Whyte, President of the Legislative Assembly. The Conference consisted of the Presidents and the Deputy-Presidents of the Provincial Legislative Councils ; and though at first there was a fear that the proposal to hold such a conference might be regarded as an intrusion of the Central authority upon the autonomy of the Provinces, the Conference itself was a marked success. Sitting for two days, it reviewed the existing practice and procedure of the Parliaments of India, and thus offered an invaluable opportunity for the exchange of opinions. Though conditions vary between one province and another, and also between the provinces and the Indian Legislature, a wide field of common interest was explored, and the policy of establishing common traditions to govern the parliamentary development of the Indian Councils was successfully inaugurated. It is a matter for congratulation that the final decision of the Conference was a resolution that this institution should become permanent, and that the Conference should meet at regular intervals to continue the work so well begun in Simla.

India. October, 1921.

## UNITED KINGDOM

### I. THE POSITION OF THE GOVERNMENT

THE present number of THE ROUND TABLE goes to Press at the very crisis of three great problems which completely overshadow the small events of party politics. These problems, it need hardly be said, are those presented by the Washington Conference, whose delegates are just assembling, by the measures required to meet an unprecedented condition of unemployment and, most critical of all, by the Irish negotiations. All of them are discussed elsewhere, and it remains in this section to attempt some estimate of the measure of support on which the Prime Minister can reckon in facing them.

Partly perhaps from the very variety of its extreme difficulties, and partly from the disunion of its rivals, the strange truth is that there was probably never a time in the whole of its chequered existence when the Coalition seemed to stand on stronger ground than it did in the first stages of the Irish Conference. During the two preceding months its position had twice been definitely challenged from opposite quarters, and in each case apparently without the smallest effect. When Lord Grey of Fallodon emerged from his long retirement on October 10 and delivered what was in fact, if not in purpose, an attack on the whole career of the Government, there were high hopes in hostile camps that at last the alternative leader was found. It is only fair to say that Lord Grey himself gave no hint of any such ambition, and the effusive welcome of his would-be col-



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leagues only distracted attention from the valuable parts of his speech. In any case, it was as still-born, so far as party politics are concerned, as those reappearances of Lord Rosebery with which it is the fashion to compare it. Three weeks later came the second challenge—this time from the “Tory Die-hards” in Parliament and the Press, whose campaign against the Irish Conference was launched, with singular lack of judgment, just when the Conference had gone too far to be averted altogether and not far enough to be judged on its results. That was a blunder not likely to escape Mr. Lloyd George, who was probably anxious enough on other grounds for an opportunity to test his backing; and a full-dress debate in the House of Commons on October 31 gave him a tenfold majority in which the bulk of the Conservative party were included. For the moment at all events the revolt was crushed.

It is necessary to quote these overt acts of opposition because they represent the two obvious methods by which in certain circumstances the Government might come to sudden grief. Of the two, the withdrawal of a strong section of the Coalition would obviously be more dangerous than a trumpet-call from outside. But neither method for the moment presented any great prospect of success, for the simple reason that the Coalition was comparatively solid on the main questions before the Government, which happen moreover to be such as only a Coalition can handle successfully. No serious party in the country disputed the wisdom of supporting the Washington Conference or of a final attempt to secure peace in Ireland. It would seem equally true to say that the duty of finding remedies against unemployment was of equally common concern were it not that official Labour had formally refused to co-operate in the search. In this case, however, Labour has plainly done disservice to its own political progress, and the recent Municipal elections, held throughout England on November 1, must be regarded as a significant set-back to its immediate hopes of controlling even local administration. The main

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issue of course in these elections was the choice between decreased and increased expenditure, the latter of which was advocated by most Labour candidates without the smallest reference to the economic conditions of the world. They won a certain number of seats—notably in Birmingham, Barnsley, Norwich and Sheffield. On the other hand, they lost as many in Liverpool, Manchester, Glasgow and Birkenhead; and the smaller industrial towns, where the constituents are mainly working men and women, were decisively against them. So far as its domestic policies are concerned the Labour party is clearly suffering from the popular reaction against a crushing burden of rates and taxes, while its settled opposition to the Government loses much of its sting from the fact that there is nothing which it can consistently oppose in the negotiations at Washington and over Ireland.

Of the other possible rallying points of opposition, two have already been noted, and it is hardly necessary even to note the "Anti-Waste League," a collection of journalists and minor politicians, who have attempted to exploit a deep popular movement for economy in administration. So far as the position of the Coalition is concerned, there has been no real cohesion between any of these bodies of hostile critics. United only in their passionate hatred of the Government, they are poles asunder in their ideas of a substitute. The Tory extremists, like the Duke of Northumberland, can no more join forces with Lord Grey's resuscitated Liberals than Labour can lie down with Anti-Waste. And in the meantime the Coalition has pursued its course—by no means unaffected by all these breezes, but far too seaworthy and too cleverly handled to be in any great risk of foundering in such seas as it had hitherto had to meet.

It would not be accurate to call it an entirely steady course. One of the most obvious features of Mr. Lloyd George's administration has always been the promptitude with which it responds to gathering opposition. These

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discordant bodies of critics may be quite incapable of coalition themselves, but, in so far as they represent any considerable volume of opinion, they are never without their influence on the policy of the Government. Take, for example, the recent fiasco of the "Die-hard" division on the Irish Conference. That movement was scotched almost before it was afoot, and its defeat was unquestionably an accurate expression of the popular desire to give the Conference a chance. But it was the occasion nevertheless of a good deal of fluttering in the dove-cots of Downing Street, where the instinct of the politician (a rarer gift, as the Prime Minister has told us, than the mind of the statesman) is very seldom at fault. Immense efforts were devoted, and rightly devoted, to securing an impregnable majority for the policy of prompt negotiation, because the Government had suddenly become aware that they must get to business quickly if they were to avoid a much more serious revolt. They saw at once that, in spite of the genuine anxiety of the British public for a settlement, the Unionist revolt in Parliament reflected a growing feeling of dissatisfaction in the country which was fed by the constant reports of incidents in Ireland. They knew that if their conversations with Sinn Fein were protracted without result, the feeling might assume the proportions of a regular movement. The critics, therefore, may fairly claim some credit for having hastened the course of events to the point at which conference must either succeed or fail.

The same influence is true to some extent of the "Anti-Waste" agitation, to which every political candidate has hitherto felt bound to pay some sort of deference. It has not as a rule taken the form of his joining the so-called "League" which aims at superseding a Government of "Wastrels," but merely of adding another label to his parliamentary baggage. Thus General Nicholson, who succeeded Mr. Burdett-Coutts in August as representative of Westminster, described himself as Anti-Waste

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as well as Conservative, Independent, and Constitutional, while Sir Philip Dawson was returned for West Lewisham in the following month as an Anti-Waste as well as an official Conservative candidate. In both of these cases, as it happens, the chosen standard-bearers of the Anti-Waste League were decisively rejected, so that the label ceases to convey any political significance. The "Was-trels'" withers remained unwrung. But they have been wise enough all the same to recognise the universal determination which lies behind a meaningless epithet, and a series of edicts, culminating in the appointment of an impressive Retrenchment Committee, under Sir Eric Geddes, have paid tribute to the Anti-Waste movement so far as it is concerned with the public services. Unfortunately, the public services, which furnish an obvious popular cockshy, cover a comparatively small part of the field where better economy is needed.

Such was the situation when a new phase opened in the Irish negotiations, unexpectedly for most people, though close observers had long realised that sooner or later the Ulster question was certain to be raised in an acute form. It was known that unity was prized by the bulk of Sinn Feiners even more than independence itself. As far, however, as the English public was concerned, the issue had hitherto simply been the question of separation. Sinn Fein claimed a republic and the Government offered them Dominion status, subject to certain guarantees. Suddenly this issue seemed to disappear and to give place to another. At the moment of writing the proceedings at the Conference have not been made public, but it is generally understood that the Irish delegates have substantially agreed to the proposals of the Government subject to Ulster meeting their aspirations on the question of unity. Accordingly the Government put forward proposals with this object, which it has asked Ulster to accept. They were, it is common knowledge, that Northern Ireland should retain the same powers as were

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given her by the 1920 Act, but that the powers, which were, under it, reserved to the Imperial Parliament, should instead be transferred to an all-Ireland Parliament. Under this proposal Ireland would have the Dominion status that was offered to Mr. de Valera. This proposal was rejected by Sir James Craig, who refused to come into a conference on the basis of it. But it had another effect. It divided the Conservative ranks. Part of the party supported the Prime Minister and Mr. Austen Chamberlain in making these proposals and urging Ulster to make a substantial concession towards settlement. If their proposal was inadmissible as it stood, let Ulster, they said, suggest amendments. A blank negative was, however, considered unjustifiable considering what was at stake. This, if we understand it, is the Government position. The other part of the party—looking to Mr. Bonar Law in the background as its leader—stood out for backing Ulster through thick and thin. Of force against Ulster there can in any case be no question. It has been expressly ruled out by the Prime Minister.

The future is obscure. At the time of writing people are waiting to see whether the Conservative party will split and, if so, on which side the majority will be. There is no doubt, however, that the Prime Minister would secure a big majority for his policy if he had to go to the country. And at the moment this does not seem likely.

### II. UNEMPLOYMENT AND INDUSTRY

SINCE the last number of THE ROUND TABLE appeared the influences there described as active in industry have been maintained. There have been reductions of wages in many branches of employment, including some in which a first reduction had been made a short time before. Employers have made further systematic efforts to bring down the overhead charges of their businesses and to

eradicate any of the unhealthy features of war-time management which might have survived. All thought of profits has for the time being in most industries faded into the background, and manufacturers have been glad to take any business they could get if the price would allow them to absorb a reasonable part of their overhead charges. The result of these processes has been, on the whole, disappointing. In spite of a renewed demand in some industries, for example the textile industries, a general trade revival seems almost as far off as ever. The figures of unemployment, though slightly reduced, are still colossal. At the end of September 1,400,000 persons were registered at employment exchanges as without work ; to that number it is safe to add the greater part of the 360,000 others whose names had dropped off the register during the previous weeks, not on account of their re-employment, but because they had drawn the benefit for the maximum consecutive period of twenty-six weeks allowed under the Act.

The most important wages reductions during the last three months have taken place in the mining and the engineering and shipbuilding industries. It became clear, before the end of the transitional period during which the wages of mine-workers were kept up under the strike settlement from the Government subsidy of £10,000,000, that the hope of improvement in the coal trade would be disappointed and that further wage cuts would be necessary. Substantial reductions came into force in October, and again in November. In most coal fields the rate per shift is now well below ten shillings, and the wages of a large number of those employed in the industry are not more than 50 per cent. above the pre-war rate. Even then many mines have closed down, and a great deal of short time is being worked. The number of miners in employment has fallen from about 1½ millions to a million. About £3,000,000 of the Government subsidy remained unspent at the end of the period to which the vote applied. The Miners' Federation asked that this balance should be made

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available in aid of wages during November, but the Government has decided that no further subsidy would be justified.

The engineering and shipbuilding trades accepted reductions in the summer of 6s. a week, and agreed to consider in the autumn the withdrawal of the bonuses of  $12\frac{1}{2}$  per cent. on total earnings for time workers and  $7\frac{1}{2}$  per cent. for piece workers, which were awarded in 1917 by Mr. Churchill. At joint conferences in September and October the employers insisted that the bonuses, which are equivalent to about 9s. a week, must come off, but were willing to spread the reduction over three months, from November 1 to January 1. The representatives of the unions were not prepared to accept this offer or even to recommend it to their members, but they agreed to take a ballot vote. By a small majority the unions decided to acquiesce in the reductions. The total poll was only 20 per cent. of those entitled to vote, and a majority of skilled workers against acceptance was more than counterbalanced by a majority of unskilled workers in favour. The attitude of the skilled workers is intelligible. Their standard rate had risen from 39s. in 1914 to about 85s. at its highest level—not quite in the same proportion, that is, as the cost of living, and much less than that of many unskilled trades, in which there is no ill-paid apprenticeship of five years spent in acquiring a craft. The justification of the reductions both to miners and engineers lies in the state of the two industries. Costs of production, in which wages must always be the main item, had put an end to trade.

It would be a mistake, however, to assume that these reductions in wages rates must involve a corresponding reduction in earnings, or even any reduction. To bring down prices the employer wants lower costs—*i.e.*, greater production per man hour. Output since the war has been unreasonably low in engineering, lower still in shipbuilding, lowest of all in the mines. The diminution in hours of labour—from an 8 to a 7-hour day in mining, from a 54 to a 47-hour week in engineering—has not, as was

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anticipated, led to any improvement in the intensity of labour. The quarter of a million miners now out of work are approximately equal to the numbers which entered the industry during the war : they have acted as a dead weight, dragging down the output per man hour. The mining industry can pay a living wage—in other words it can in the long run remain in existence—only if the output per man reaches the pre-war level ; it can enjoy no real prosperity (and prosperity means not dividends so much as the power to offer continuous employment) unless that output is exceeded. There is room in too many mines for improved methods and for better management generally ; but there is not a mine in the country where it is beyond the power of the miners themselves to increase their earnings substantially by their own efforts. Under-production in engineering has not reached the chronic stage which is revealed in the mines. But it has been encouraged by the attitude of the unions towards payment by results. Some explanation of that attitude is to be found in the history of piece-work systems in this country. It is a long and intricate story, and to enter into it in detail would be outside the scope of this article. It will be sufficient here if we state in broad terms that manipulation of piece-work prices by some employers in their own favour has taken place in the past and has been responsible for much of the mistrust with which the unions have regarded all systems of payment by results. But the practice has long since ceased to be countenanced by any reputable employer. Machinery is in existence in many works, and is working well, for adjudication of all disputes on piece-work prices by a joint workshop tribunal. If the engineering unions would make it their policy to advocate payment by results and to co-operate in regulating its operation, they could obtain to-day any reasonable safeguards that they asked for. In no other way could they do as much to ensure the future of the industry and a higher standard of living for their own members.



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Official trade union policies show little sign of any recognition of the facts which we have been endeavouring to point out. The leaders confine themselves to a protest against the employers' proposals and the private advice to their followers that it is better to conserve resources for a later struggle than to fight when economic conditions are dead against Labour. There are many signs that the ordinary trade union member, with the sound instincts which a century of industrial life has developed in his class, is going nearer to the root of the matter. Now that his union can do so little for him, he has reverted to his natural habit of thinking for himself. He and his employer understand one another, and whatever he may have repeated he has never really believed that his employer was an idle drone, or a colony of drones, living in luxury on earnings which the worker himself created. He knows quite well that at present there are no earnings in the business, and he has found more than an inkling of the reason. It is too much to expect that he will choose a moment when he is on short time and the work in the shops is dwindling before his eyes week by week, to put into practice theories of intenser output. But there are many signs that the lesson has not been lost.

As autumn advanced without any real indication of that revival in trade to which some had looked forward, it became evident that there would again be very serious unemployment and consequent distress during the winter. For many of the unemployed the dole was coming to an end, and demands were made for relief on Boards of Guardians on a scale which in some of the poorer areas it was difficult for local authorities to meet. The Labour Councillors of Poplar declined to levy rates to cover the services of the London County Council and the Asylums Board, and went to gaol as a protest against the unequal rating of the Metropolitan boroughs. Much pressure was brought to bear on the Government, whose members were scattered after a long and trying session, to devise schemes for stimulating trade. After a Cabinet Unemployment

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Committee had contrived to satisfy the popular Press that the task was beyond the Committee, the Prime Minister, from a remote corner of the Highlands, "seized the reins," if we may use his own expression. He summoned a number of prominent business men, with a banker and an economist, to a conference at Gairloch. When Parliament reassembled for a brief session *ad hoc* in the middle of October, Mr. Lloyd George at once explained the Government's proposals, and the legislation embodying them was introduced and enacted before the prorogation of Parliament on November 10.

The new measures fall under several heads. In the first place there is a provision, limited to necessitous areas, enabling the Guardians to borrow money from the Government in order to meet calls for relief. The Ministry of Health obtains power to fix scales of relief with a view to ensuring that there is some kind of uniformity, regardless of the political complexion of the local authority. Secondly, there is to be for six months a special fund called "the Unemployed Workers' Dependents Fund." It is to be financed by special contributions of 2d. a week each from employed workers and from employers, and 3d. from the State. From this fund allowances are to be paid, in respect of the wives and the dependent children of the unemployed, at the rate of 5s. a week for the wife and 1s. for each child. Then a small additional sum is voted for assisting the emigration of ex-service men, and a further £10,000,000 is to be spent in relief works, such as road-making, afforestation and land drainage.

The other two measures are intended not for the relief but for the prevention and diminution of unemployment, and they are embodied in one Act, the Trade Facilities Act. The Act introduces first of all important modifications into the export credits scheme, which came into being two years ago. Of the £26,000,000 previously voted by Parliament, very little had been spent owing to the restrictions embodied in the scheme. The principal

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modifications now made are that the scheme is extended to exports to any part of the world ; the Government will advance in approved cases the full invoice amount instead of 85 per cent. only, although the ultimate liability is still to be divided between the Government and the exporter in the old proportions of  $42\frac{1}{2}$  and  $57\frac{1}{2}$  per cent. respectively ; the maximum period during which an advance may be outstanding is increased from two to six years ; and facilities are given to the class of exporter who takes a number of small orders through representatives abroad, by the allocation to each firm of a lump sum credit, which is not to be exceeded, and may be used at the discretion of the firm. The other part of the Act is entirely new. It authorises the Treasury, which is to be advised by a business committee, to guarantee the principal or interest or both of any loan raised by a Dominion, Colonial or Foreign Government, a local authority or any body of persons anywhere for a capital undertaking which will provide employment in the United Kingdom. The aggregate capital amount of the loans in respect of which a guarantee either of principal or interest is given must not exceed £25,000,000.

Of these Government measures it may be said generally that they hold the field. We have seen no alternative proposals which seemed likely for the same financial risk to provide a greater stimulus to trade. What is in any given condition of public finance the limit of justifiable risk for a Government to take would be difficult to estimate. It is clear, however, that in the present state of the finances of the country, no British Government could venture much further in the direction of these proposals without evidence derived from their practical working. The limit imposed on the aggregate amount of loans on which a guarantee may be given may be found later to be unnecessarily low. There should be no difficulty in selecting loans up to a total of £25,000,000 to be applied to schemes so sound intrinsically that no guarantee of capital would be necessary, and

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the risk of the Government ever being called on for the interest payments would be slight. In that event the real value of the Government's proposal would be as a restorer of confidence ; the only reason why such schemes are not financed to-day in the ordinary market is that all confidence has been destroyed. With the present limit, if we estimate that as much as 80 per cent. of the whole amount would be spent on direct labour in the United Kingdom at a weekly wage of £3, work might be found for 66,000 men for two years. When every allowance is made for the indirect advantage of providing such employment, it is obvious that the expenditure would only touch the fringe of the unemployment problem.

The truth is that no Government measure of this kind to promote trade can ever bring back normal conditions. Trade is bad because the world is out of joint. Its principal troubles are political, and no one nation can overcome them unaided. But the British Government and the British people can exert enormous influence to that end if they strive consistently for peace, for friendship and co-operation between nations, if they set their faces against harsh and extravagant claims by one nation from another, against reckless finance, whether at home or abroad, or wasteful expenditure. Here in the United Kingdom in the last twelve months both employers and Labour have made heavy sacrifices. The management and the operatives in industry have both come down to earth. In their internal economy the industries of this country are probably in a healthier condition to-day than for years past. There are brighter prospects of co-operation between employers and Labour. But unless the international political and financial situation can be brought again from confusion to order, all recent efforts here will be powerless to restore real prosperity. At the best that seems likely to return only slowly and painfully ; the more reason, therefore, why our whole authority as a nation should be thrown into the scales in favour of peace.

# CANADA

## I. THE GENERAL ELECTION

WHEN Mr. Meighen came back from the Imperial Conference he found that feeling in the Cabinet and in the country was running strongly in favour of an immediate dissolution of Parliament. In the critical by-elections of Yamaska and Medicine Hat the Government had sustained decisive defeats. There were half a dozen constituencies vacant in which the outlook was not encouraging. In four years a Government majority of 71 had fallen to 25, and there was danger of further losses in by-elections and a defeat in Parliament. It is believed, also, that the commercial and financial interests desired a general election in order that a more stable administration could be established and the attitude of the country towards fiscal and railway policy more definitely disclosed. There is no doubt that Mr. Meighen himself was in favour of dissolution. So were a majority of the members of the Cabinet. But the body of the Government's supporters, apprehensive at the temper of the country, urged delay and a redistribution of the constituencies before the House was dissolved. Mr. Meighen hesitated between conflicting counsels but finally decided, as it is thought he generally does decide, to follow his own judgment. Parliament, therefore, was dissolved, the Cabinet reorganised, and the general election fixed for December 6.

In the reorganisation of the Cabinet there was nothing

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revolutionary or remarkable. The new Government is respectable, but makes no appeal to the imagination of the country. What is gained in distinction by Mr. R. B. Bennett's acceptance of the office of Minister of Justice is lost by Sir George Foster's disappearance into the Senate. Nor in political training and experience is there any one among the new ministers with such authority in the country as Mr. Doherty possessed. Mr. Meighen, however, scored a personal triumph in securing three French ministers and a French Solicitor-General from the Province of Quebec. For all four he had to look outside the French representation in Parliament. None of the French ministers, perhaps, has exceptional distinction, but all are men of good reputation, and they by no means lower the general character of the Cabinet. Naturally they are under criticism for joining hands with Mr. Meighen and his colleagues of the old conscriptionist Government. But they offer no apology for their action and there is some evidence that their acceptance of office has softened feeling towards Quebec in the English Provinces; that, even in Quebec, it is mitigating the rancour of political debate and diverting attention from the old racial quarrel which was so acute four years ago and which still finds expression in the Press and from the platform.

The leaders of all the parties, however, are abstaining from provocative utterances and making a common appeal upon questions which lie outside the heated area of sectarian and racial differences. At a great public meeting in Montreal Mr. Meighen was treated with as much consideration and courtesy as he would have received in Toronto or Winnipeg. There is no doubt that any French Canadian Minister or any Liberal leader from Quebec would have a most cordial reception in any of the English Provinces. Whatever else the election may decide there is every prospect that the issues which have separated races and Provinces are losing their ascendancy and that in the new Parliament national and economic considera-

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tions will determine the relations between groups and parties. For the moment, however, Quebec will remember Laurier and probably will send almost a solid Liberal delegation to the new Parliament.

For the first time since Confederation three national parties are making appeal to the constituencies. It is true that in the election of 1896, which gave office to Sir Wilfrid Laurier, there were Farmer candidates and candidates of a third party under Mr. D'Alton McCarthy opposed to Roman Catholic schools and constitutional recognition of the French language in the Western Territories. But Liberals, Farmers, and McCarthyites were all against the Conservative party as led by Sir Charles Tupper, and co-operated closely to secure the defeat of Conservative candidates in the constituencies. When the election was over the minor groups were absorbed in the Liberal party and the old two-party system substantially restored in the House of Commons. But now there is no understanding or co-operation between any of the groups which contend for the favour of the country. In the constituency in which he is a candidate Mr. Mackenzie King, the Liberal leader, is opposed by a Farmer and also by a Conservative. The Prime Minister is opposed by candidates representing the other two groups. Mr. Crerar, leader of the Farmers, or Progressives as they now call themselves, is opposed by a Liberal candidate and also by a Farmer with the endorsement of a Conservative convention. Mr. King, who for many months courted the Farmers, has abandoned his wooing, while Mr. Crerar declares unequivocally against any alliance with the Liberal party.

The tariff is the chief issue, as it has been in so many political contests in Canada. But the issue is not so clear and direct as Mr. Meighen would desire. Mr. King declares that it is idle, foolish and unjust to contend that the Liberal party advocates free trade or would so revise the tariff as to imperil legitimate Canadian industries. Mr. Henri Bourassa, the old Nationalist leader of Quebec, who

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made a striking reappearance at Montreal a few days ago, with the felicity of phrasing and ironic humour for which he is distinguished, suggests that Mr. Meighen demands a tariff for protection that will give revenue and Mr. King a tariff for revenue that will give protection. Mr. Crerar denounces the principle of protection as wrong morally and unsound economically, but explains that free trade is impossible in Canada, and that duties must be reduced gradually and with such caution and deliberation as may be necessary to avoid any dangerous disturbance of the established industrial system. Substantially, however, the Liberal and Progressive parties, through their speakers, newspapers and campaign literature, demand lower duties and a tariff for revenue as against a tariff for protection, while the Government stands squarely for protection as the essential condition of industrial stability and national progress. But Mr. King so qualifies his position and Mr. Crerar is so guarded that many manufacturers do not hesitate to support Liberal candidates in serene confidence that they will be secure under a Liberal Government, while no acute alarm is excited even by the prospect of a Progressive victory and a Farmers' Government.

It is perhaps remarkable also that, while the official platforms alike of the Liberal and Progressive parties demand an immediate increase of the British preference from  $33\frac{1}{3}$  per cent. to 50 per cent., Mr. King will not now admit that he would give effect to this proposal, while Mr. Crerar in this connection is just as silent and uncommunicative. Mr. Crerar, however, does suggest a renewal of negotiations for reciprocal trade relations with the United States, conditional upon the extension to Great Britain and other British countries of all such concessions as might be granted to secure freer access of Canadian products to American markets. Mr. Fielding also deplores the rejection of the trade agreement of 1911 which he assisted to negotiate, but Mr. King is reticent, and generally the Liberal press is as cautious as the leader.



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Altogether, therefore, a victory for the low-tariff parties may not be a defeat for protection.

There is a further complication which embarrasses Mr. King and confuses the issues before the country. Sir Lomer Gouin, whose acceptance of a Liberal nomination in Montreal has brought a real accession of strength to the party, for few public men in Canada have in greater degree the confidence of the industrial and financial interests, is an avowed protectionist, as are also Hon. Rodolphe Lemieux and very many of the Liberal candidates in the French Province. Indeed, the attitude of the Liberal party of Quebec towards fiscal policy is hardly distinguishable from that of Mr. Meighen and the candidates of the Government. A double consequence follows this striking but not unexpected division among Liberals. Any alliance between Liberals and Progressives is made doubly difficult, while the protected interests, realising that Quebec will elect probably two-thirds of the total Liberal delegation in the new Parliament, are less apprehensive of radical tariff changes under a Liberal Administration. Again, the Liberal party of Quebec not only proclaims its adhesion to protection, but also opposes government operation of the National Railways, to which Mr. Meighen is committed, which Mr. King approves, and which finds perhaps its chief support in the Liberal Press of the English Provinces. With all these currents and cross-currents churning the waters, who may predict the result of the election or what may follow thereafter?

Few believe that any one of the three groups can command a majority in the next Parliament. The Liberal party is unassailable in Quebec and may carry half the constituencies in the three Atlantic Provinces. But in Ontario and the four Western Provinces it is doubtful if a score of Liberal candidates can be elected. Of the 43 constituencies into which Manitoba, Saskatchewan and Alberta are divided it is not believed that more than half a dozen can be carried against the Progressives by the two old parties. In

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Ontario, where a coalition of Farmers and representatives of the Independent Labour party controls the Legislature, 25 or 30 Progressives may be elected. At least a few Farmer candidates will be returned in the Atlantic Provinces, and even in Quebec, in three-cornered contests, the Farmers may get a foothold. Ontario and British Columbia are the only strongholds of the National Liberal and Conservative party. But in Ontario the Farmers are formidable, while in British Columbia Labour is not likely to come out of the contest empty-handed.

None of the three parties hope to secure an actual majority of the constituencies. The real struggle among the groups is to get a plurality. There was some expectation that the Liberals and Progressives would practically coalesce before the election, but not only is this now unlikely, but it is a question if the Liberal protectionists of Quebec are more friendly to the low-tariff Progressives than they are to the protectionist Conservatives. If Mr. Meighen was a conscriptionist and a member of the War Cabinet under Sir Robert Borden, so also was Mr. Crerar. The fact is not overlooked by the press and the literature of Quebec Liberalism. Moreover, in Ontario and Alberta the old Liberal party has been broken to pieces by the Progressives, and in Manitoba and Saskatchewan has been mortally shaken. The Liberal leaders of Quebec, disinclined to assist the process of disruption in their own Province, have regarded Mr. King's advances to the Progressives with suspicion. Outside of Quebec, however, the chief Liberal newspapers have taken almost a neutral position between Liberals and Progressives. While it may be futile to speculate upon the immediate future, there is a possibility that Mr. Meighen, if he should obtain a plurality of constituencies, might effect a combination which could control Parliament, but if Mr. King or Mr. Crerar should get a plurality of seats any combination with the Meighen forces would be improbable. At the moment it cannot be said that Mr. Meighen faces a

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better prospect in the country than either of his opponents, and inevitably we shall have an interesting period of manœuvring, bargaining and trading after polling, if no one of the three groups is able to command an actual majority in Parliament.

Fortunately the course to be followed by the Governor-General is clearly prescribed by the constitution and clearly indicated by constitutional practice in Canada. He will doubtless act as Sir John Hendrie, then Lieutenant-Governor of Ontario, acted after the last Provincial general election. The Farmers had carried more constituencies than either Liberals or Conservatives, and therefore the Lieutenant-Governor called upon the leader of the agrarian group to form an administration. The situation is even clearer at Ottawa, for all three Federal groups have recognised leaders, while in Ontario the combination of Farmers and Labour had to find a leader before the Lieutenant-Governor could issue his mandate. If the Conservatives under Mr. Meighen carry more constituencies than the group under Mr. King or that under Mr. Crerar, then Mr. Meighen will be asked by Lord Byng of Vimy to undertake the task of forming a Government, and he will accept, or decline and suggest who in his judgment is in a better position to constitute an administration that will command the confidence of Parliament. If Mr. King or Mr. Crerar comes back from the constituencies with a stronger following than Mr. Meighen the defeated Prime Minister may not offer advice to the Governor-General unless his advice is sought, and Lord Byng in the exercise of his constitutional authority will ask the leader with a plurality in Parliament to form an administration. It is clear, as has been pointed out, that a very interesting situation may follow upon an indecisive election, since the leader who secures a plurality of constituencies in the contest will have to draw support from the minorities if he is to control Parliament and govern with confidence and authority. Fortunately, however, no obscurity surrounds the

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position of the Governor-General, and he cannot, therefore, be prejudicially involved in a situation which may develop greater complications and difficulties than have followed any general election in Canada since Confederation.

### II. STATUS OF THE DOMINIONS AND THE WASHINGTON CONFERENCE

SIR ROBERT BORDEN has just delivered three addresses before the University of Toronto on the constitutional evolution of Canada, the struggle for responsible government, and the final concession to the Dominions of equal status in the Empire. There is nothing new or startling in Sir Robert's argument or outlook. His lectures are really an expansion of two speeches that he made during the last session of Parliament. He gives no support to federationists; he goes far with the autonomists; but he stands as resolutely as any federationist for the Imperial connection and a united Empire. One phase of the long evolution of responsible government he seems to ignore. He forgets perhaps that in Canada as in other portions of the Empire there were often acute differences between domestic political parties, and that the struggle was often between colonial parties, rather than between the colonies and the Imperial authorities. So there have always been statesmen in the Mother Country who stood abreast, if they did not go in advance, of the colonial advocates of responsible government. In the great controversy which produced the American Revolution, there was a powerful party in Great Britain in sympathy with the colonists, and all down the years the aspirations of the colonies have had support in the old country. One knows, too, that there has been a long growth in the principles of constitutional freedom and, indeed, of the capacity of peoples for self-government, and in Europe and in the colonies in the past, as in India and Egypt

## Dominions and the Washington Conference

to-day, the springs of democracy and freedom have been fed from Great Britain as from no other source. If we judge the attitude of political leaders of half a century or even of a quarter of a century ago, from the convictions and conditions of to-day, we fall into error and pervert history to the disadvantage of statesmen, alike in the Old Country and in the Dominions, who were content that freedom should broaden slowly down from precedent to precedent.

Owing to the absorption of the people in the general election, less acute interest has been shown in the approaching Disarmament Conference at Washington than would have been displayed under more normal conditions. But unquestionably great hopes centre in the Conference, and there is universal sympathy and support in Canada for its aims and objects. There is no serious complaint that the Dominions are not represented by direct invitation from Washington. It seems to be generally recognised that no other course than that which has been taken was diplomatically open to Mr. Harding. There would have been implications in a direct invitation to the Dominions of very far-reaching significance. Whatever may be the immediate or the future status of the Dominions it is not desirable that any foreign Government should seem, even by inadvertence, to hasten the processes of constitutional and diplomatic reconstruction within the Empire. There is regret that the Dominions will not be represented by their Prime Ministers, but, since it is impossible for Mr. Meighen to go to Washington in the heat of the electoral contest, Sir Robert Borden is pre-eminently the natural representative of Canada. His health is by no means fully restored, but he improves, his interest in affairs is unabated, and no other man in the Dominion can speak with greater authority on the vital problems which are set for solution, or is more utterly convinced of the necessity of understanding and co-operation between the United States and the British Empire.

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## III. CANADIAN AMBASSADOR AT WASHINGTON

THERE has been free criticism of a statement by Sir George Parkin before the Canadian Club of Toronto on the proposal to appoint a Canadian Ambassador at Washington. It must be admitted that his argument has elicited less of approval than of disapproval. Sir George said :

We have only to consider whether the move is a wise one from the Canadian point of view. Of this I have grave doubts. The example of Canada would almost certainly be followed by the Pacific Dominions, possibly also by South Africa. It would certainly be followed by Ireland, if that country is given Dominion status as the result of the negotiations now going on. To anyone who knows Washington, the prospect of having a number of minor embassies there, each working for its own ends in great diplomatic negotiations which need behind them the force of a united Empire, is not altogether a satisfying or pleasant prospect.

The *Regina Leader* thinks that Sir George overlooks "the unique position in which Canada, among the Dominions, stands *vis-à-vis* the United States." It does not believe the assumption, that the appointment of a Canadian diplomatic representative at Washington will be followed by the appointment of similar representatives by the other Dominions, is justified. The *Leader* adds :

The very general desire that has been expressed in this country for a resident representative in Washington is based on the practical needs of this country, and it will not be easy to convince the Canadian people that these needs are lessened by the possibility of their sister peoples in the Empire asking for similar representation at the capital of the United States. And even if the other Dominions were to appoint diplomatic representatives at Washington, what danger to the Imperial connection is to be apprehended therefrom ? The idea that the various Dominion representatives would work for their own ends to the extent of lessening the bonds that now hold the Empire together assumes an indifference on their part to the welfare of the whole that their peoples will be quick to repudiate.

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The *Montreal Daily Star* utterly rejects Sir George Parkin's argument and conclusion. It contends that there are hundreds of questions arising every day at Washington that plead for official interpretation by Canada. "The ends for which Canada works," says *The Star*, "are the ends and ideals to which the Empire looks." It continues :

There would be no tugging and pulling of conflicting interests between Canada's representative at Washington and the British Ambassador and plenipotentiary, under whom he would sit and advise in Empire matters, and with whom he would co-operate in matters that are solely the domestic concern of Canada. Canada does not want to send a man to Washington to weaken the machinery of Empire but to strengthen it, to be an aid to the Motherland. To think otherwise is to misinterpret Canadian sentiment.

The *Winnipeg Free Press* declares :

The necessity for a Canadian minister at Washington is now generally recognised by the people. Parliament has approved the appointment and voted the money. The British Government has, through its Prime Minister, openly agreed that the proposition is all right. It is, therefore, a little tiresome to have Canadians protesting against the appointment on grounds which certainly have no relation to Canadian interests. The appointment should not be further delayed. As for the other Dominions, they are not likely to appoint Ministers to Washington simply for the purpose of emulating the example set by Canada. They will only appoint Ministers if their interests in the United States are so extensive as to require special attention. In that case, it is desirable on all counts that the appointments should be made.

The *Winnipeg Tribune*, however, thinks there will be a tendency throughout Canada to give more than a second thought to Sir George Parkin's warning. It holds that our right to appoint an ambassador is beyond challenge, but suggests that "the thing has an appearance of doubtful and hurried construction in an edifice that is designed to last for ages." Sir George Parkin's way of putting it, *The Tribune* declares, "brings out what is behind the doubts so many have felt, without defining or even being able to

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define them." It makes a suggestion, novel but perhaps impracticable :

One thing is positive. We must preserve our identity and solidarity unimpaired to the outside world, and avoid anything that would lessen this. If the British Empire is not a living political organism possessed of personality and will power, it is nothing but a dream, from which we are to awake to the old story of racial and territorial feuds developing into incessant wars, but little affected by powerless convocations.

There is no word from Ottawa that an immediate appointment to Washington is contemplated. Possibly nothing will be done while the Disarmament Conference is sitting. It may be thought unwise to make an appointment until after the election. Mr. Meighen can feel no assurance that his nominee would be retained in office if his Government should be defeated.

The bogey of "Imperialism" does not seem likely to appear influentially in the election. In his singularly interesting, but unnecessary, address at Montreal, Mr. Bourassa paraded all the spectres by which he has been haunted in the past, and added the prospect of a war with France as a supreme evidence of the danger and unwisdom of the policy to which Canada committed itself when contingents were sent to South Africa. But Mr. Bourassa is broken in health and nestles ever more closely in the bosom of the Church. He wept upon the platform as he deplored his physical weakness and inability to be a candidate or take any active part in the election. But there was, as has been said, a penetrating, ironic pungency in many of his sentences. For example, he declared that Mr. Meighen was in favour of the unity of the Empire and the autonomy of Canada, while Mr. King was in favour of the autonomy of Canada and the unity of the Empire. As a hostile interpretation of the attitude of the Conservative and Liberal leaders towards the Empire, nothing could be better. It is doubtful, however, if either of the two would desire



## Canadian Ambassador at Washington

to challenge the accuracy of Mr. Bourassa's statement. Defining the position of the Progressives Mr. Crerar said in his electoral manifesto :

We believe that the further development of the British Empire should be sought along the lines of partnership between nations free and equal under the present governmental system of British constitutional authority. We are strongly opposed to any attempt to centralise Imperial control. Any attempt to set up an independent authority with power to bind the Dominions, whether this authority be termed Parliament, Council, or Cabinet, would hamper the growth of responsible and informed democracy in the Dominions. The problem thus indicated is now pressing for solution, and it should be dealt with in strict conformity with the spirit of this declaration.

Probably the bulk of the extreme autonomists are in the Progressive party, and conceivably a Progressive Government would demand from the Imperial Parliament a formal and definite declaration of equal commercial, constitutional, and diplomatic status for the Dominions in the common Empire.

Canada. October, 1921.

# AUSTRALIA

## I. WAGES AND PRICES

*With Special Reference to Mount Lyell (Tasmania),  
Mount Morgan (Queensland), and Wallaroo (South  
Australia).*

ONE of the difficult problems of reconstruction is that of the adjustment of wages to falling prices. The highest "peak" in world prices was reached during the second half of the year 1920. In Australia the index number for wholesale prices reached its highest point in August, 1920, when it was 169·2 per cent. above 1911 prices; while retail prices of food and groceries in the following month reached 128·7 per cent. above the 1911 level. Since then there has been a considerable decrease both in wholesale and retail prices. In June of this year wholesale prices were 84·5 per cent. and retail prices 64·7 per cent. above the level of 1911 prices.

In the Arbitration Courts the practice has become general of utilising index-numbers published by the Commonwealth Statistician as a measure of the variations in the cost of living. During the period of rising prices wages advanced approximately in the same ratio. The basic wage in recent adjustments has been fixed at 14s. 11d. per day, as compared with 8s. 6d. in 1914. If this practice of equating wages to the cost of living is continued, and prices continue to fall, the time is not far distant when wages will have to be reduced. That it has not already

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arrived is due to the practice of fixing wages, not upon the cost of living at the moment of adjustment but upon the average of a preceding period—in some cases twelve months, in others six months.

If the Commonwealth Arbitration Court fixed a basic wage, according to its established practice, and took the index-number at the present time, that wage would be in Melbourne 13s. 7d. per day; but based upon the average of the four preceding quarters it is 14s. 11d. per day.

The Courts have not yet been faced with the necessity of awarding reductions in wages, but it is likely that they will shortly have to do so. It remains to be seen what attitude the unions will adopt.

But if the Courts have not had to face this position, it has been forced upon some sections of the workers by the action of certain copper mining companies, particularly the Mt. Lyell of Tasmania and the Mt. Morgan of Queensland. Practically the whole of the copper produce in Australia is exported, and has to be sold at London prices. Towards the end of last year copper prices, which attained £128 per ton, fell to below £70 per ton; while investigations showed that the cost of production, after allowing for the gold and silver contents, was over £90 per ton. Faced with the prospect of serious losses, estimated in each case at over £100,000 per annum, both companies attempted to secure a reduction in wages. In March, 1921, the Directors of the Mt. Morgan Company placed the position before their employees, and suggested an all-round reduction in wages and salaries of 20 per cent. The Directors of the Mt. Lyell Company in the same month suggested a reduction in wages and salaries ranging from 10 to 15 per cent.

The reply of the workers was the same in both cases:—

That the question of lowering wages is wholly a matter for the Arbitration Court. To this the Mt. Lyell Company answered that they were confronted with a serious difficulty in the fact that

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both the President and the Deputy-President of the Commonwealth Arbitration Court have laid it down as a fundamental principle that it would be better to abandon an enterprise which cannot be maintained without reducing the basic wage.

The President of the Queensland Arbitration Court authorised a ballot of the men employed at Mt. Morgan, and advised them that they had much to gain and nothing to lose by accepting the Company's terms. The employees, by a 30 per cent. majority, rejected the proposal, and the mine and works were closed down at the end of March.

The Premier of Queensland then interposed in the Mt. Morgan negotiations, and convened a conference of representatives of the unions and of the Company. The Company rejected a proposal made by the unions—

That employees receiving wages in excess of the minimum rates should allow 20 per cent. of their wages to be withheld, deferred wage certificates for the amount so withheld to be issued by the Company. As the financial position of the industry improved the normal wages to be restored, and when more prosperous times came the wages certificates to be redeemed by the Company.

These proposals the Company rejected and suggested instead a sliding scale of wages based on the price of metals. The Queensland Government had agreed to make a rebate of £1,000 per week in the freight charges of the Company, and this rebate the Company later offered to incorporate in the sliding scale as indicated below.

Basing upon a minimum of 12s. 10d. per day, the Company proposed to give the whole of the Government subsidy to the employees until such time as the value of the blister copper reached a point where the total wage amounted to 13s. 6d. ; after that, only such part of the subsidy as was necessary to bring the wage up to that amount; and when the wage paid directly by the Company, without the addition of anything from the subsidy, was 13s. 6d. or more, the Company to take the whole of the subsidy so long as it was paid. The Company's direct wage should

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reach 13s. 6d. when copper stood at £170. For every £5 over that value, 4d. per day per man would be added to the wages. The executive of the unions finally declined the sliding scale. The Mt. Morgan works are still closed, and the employees are receiving relief from Government grants and donations from unions in other districts.

At Mt. Lyell it has been found possible to avoid the closing of the mine and works. On April 22, at a conference between the unions and the Company, the latter suggested that the reduction in wages might be avoided by utilising the maximum amount of labour which could be profitably employed, and so increase production without incurring a proportionate increase in the working costs per ton. A further suggestion was made for a more efficient re-arrangement of the working hours.

Though many of the men on the field were in favour of the acceptance of the Company's offer as amended, the executives of the unions refused to allow them to accept it. After a compulsory conference of the parties, called by the Federal Arbitration Court Judge, and a further conference between unions directly concerned with Mt. Lyell and the Company, the unions gave an undertaking to continue work for six months on any terms that the Court might award under the circumstances. After hearing representatives of the unions and of the Company, and having held an enquiry as to the cost of living at Mt. Lyell by Commission, an award of the Court was made in the terms of the Company's latest offer. Under this award the Company agreed to continue operations for six months at rates of wages then being paid; and it will be able to carry on for six months without any fear of being called upon to pay increases in wages.

It will be interesting to see whether the working of the mines and works during the next six months can be so increased in efficiency, by the co-operation of management and employees, as to reduce the estimated deficit, or convert it into a profit. The position may, of course, undergo a

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complete change if any substantial increase or further decrease occurs in the price of copper.

The developments which have led to the resumption of work at the Moonta and Wallaroo Mining and Smelting Works are of special interest. The mines and works were closed in December, 1920, after a serious drop in the London price of copper. The price in December was £68 per ton, while the cost of production was said by the Company to be £100. Though several attempts were made to secure some working basis on which the mine could be re-started, it was not until May, 1921, that concrete proposals were made and discussed. At the time of the cessation of work the Australian Workers' Union, to which nearly all the workers belonged, was working under the agreement registered in the South Australian Industrial Court. Under this agreement the basic wage was fixed at 12s. 6d. per day. The agreement had superseded an award of the Federal Arbitration Court. In reply to requests of the local members of the A.W.U., the Company stated that they were prepared to start work on the basis of the Federal award made in 1919, in which the basic wage rate was 10s. 6d. per day. As a result of a conference between the Company and the Union, convened by the State Industrial Court, the Company amended their offer. They agreed to add a proviso that no adult should be paid less than 11s. 0d. per day. In addition they agreed to supply boots, working clothes and several other articles to the workers at cost price. This rate of wage was to continue so long as copper did not fall below £68 per ton, and to be increased to 12s. 6d. per day when the price advanced to £85 per ton, and an increase was to be considered as soon as copper reached £77 10s. per ton and remained at or above that amount for not less than one month.

Meetings of the members of the A.W.U. were held at the three centres, Kadina, Moonta and Wallaroo, and on May 19 the representatives telegraphed to the State

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Court that the men accepted the Company's offer. These negotiations had been conducted by the local branch of the A.W.U., but now the Executive of that union interposed. At a meeting in Sydney resolutions were passed instructing its officers "in no circumstances to agree to a reduction of wages fixed in any agreement that they had entered into."

A difficult position thus arose. The cancellation of the agreement registered with the State Courts had to precede any acceptance of the Company's terms, and this could only be done on the application of one or both of the parties. The Company refused to make the application, taking up the position that, while they could not continue work on any other terms than those offered, they had no desire to do anything to compel the men to accept a reduction in wages. The A.W.U., in view of the instructions of their Central Executive, would not make the application. Thus a deadlock occurred, which was overcome in rather a novel way by the Deputy-President of the State Court. By an ingenious use of a certain section of the Industrial Code—the intervention of an outside union, friendly to the project—the agreement of November, 1920, was cancelled by order of the Court. This left the award made by the Federal Court in 1919 the only one in force. The way now being open for the men to accept the Company's offer, they were invited to register their names for employment. By July 9 1,355 workmen had signed the register. But before the Company would commence operations, they sought an assurance from the Engineers' and Firemen's Associations that their members would be allowed to accept the terms offered for six months. The Executives of these two unions referred the Company to the Arbitration Court, and refused to agree to any terms unless fixed by that Court. Whereupon the Company made application to the Commonwealth Arbitration Court that any general award the Court might think fit to make on future complaints of these two unions should not be operative against their employees for six months. Both the unions opposed the application, on the

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ground that the basic wage offered by the Company was not a reasonable living wage.

In giving judgment, the President, Mr. Justice Powers, said that, if the actual cost of living at the time be taken instead of the average of the preceding four quarters, the basic wage on the Harvester (1907) basis brought up to date by the Commonwealth Statisticians' index numbers would be 11s. 7d. a day; and that, with the concessions offered by the Company in the way of supplying clothing and other commodities at cost price, and the prospect of a further fall in the cost of living during the next six months, he would not do anything to stop the works being re-opened. He further promised that before the expiration of the period he would personally visit the district and make a special enquiry as to the cost of living. He granted the application of the Company because the granting of the application does not compel any man or body of men to accept work for the rates mentioned, it only enables them to accept work if they wish to do so, but, unless I have been misled, the men are anxious and willing to work on the special conditions offered.

It is claimed by the leaders of the men who opposed the Company's application that the action of the President does, in effect, compel the men to accept the offer of the Company, because, owing to the conditions under which they live and the scarcity of employment in other districts, there is economic compulsion.

This case is interesting, too, because it illustrates a disposition of the members of unions, under certain economic conditions, to flout directly the advice of their leaders. During the 'nineties, as the result of severe industrial depression, this disposition was manifested to a considerable degree, and the membership of trade unions during that period decreased very considerably. If the union leaders persist in their attitude of refusing to accept reductions of wages in spite of lower prices of commodities and in face of severe industrial depression, they may find the experience of the 'nineties repeated. It is hoped, however, that a spirit of reasonableness and conciliation will enable both parties to meet the changing conditions without seriously disturbing the relationship between employer



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and employed, and between the rank and file of trade unionists and their leaders.

### II. AUSTRALIA AND THE SOUTH PACIFIC

WHEN "His Britannic Majesty, for and on behalf of the Government of the Commonwealth of Australia," agreed to accept a mandate over the former German territories in the South Pacific, the Australian people took upon themselves a heavy burden of responsibility and at the same time received final assent to a claim which for a great number of years and in varying forms had been put forward by their statesmen. The mandated territories occupy an area of 159,800 square miles, populated by, it is estimated, 947,000 natives and 2,000 Europeans. Many critics in Australia have doubted the wisdom of this assumption of responsibility in view of the undeveloped state of our own continent, of our straitened finances, and of the lack of experience of our people in tropical administration. But it cannot be denied that the acceptance of the mandate is the logical outcome of a policy which has been consistently followed and has profoundly affected the relations of the Australian States or Colonies with the Mother Country and with each other.

Long before the Colonies had acquired any means of speaking with one voice, successive Secretaries of State had been called upon to prevent the islands of the South Pacific from falling into the hands of any power other than Great Britain. The Intercolonial Convention of 1883, which included representatives of Fiji and New Zealand, besides calling for the incorporation of New Guinea and for the settlement of the rival claims of Great Britain and France, passed a general resolution to the effect that "further acquisition of dominions in the Western Pacific south of the Equator by any foreign Power would be highly detrimental to the safety and well-being of the British possessions

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in Australasia and injurious to the Empire," and this policy was reaffirmed in an address to the Queen by the Federal Council of 1889.

Under the Commonwealth Sir Edmund Barton joined his protest to that of the New Zealand Government against the allocation of Samoa to Germany, and again called for an adjustment of British and French claims in the New Hebrides. Mr. Deakin, who had urged as one of the reasons for federation that this country should speak with authority on the future of the Pacific, set out the position of Australia in an exhaustive statement to the Imperial Conference of 1907, and invited the Governments of Canada and New Zealand to recognise that "the future of the Pacific is extremely important, and may become more so at any time now that attention is directed to its great spaces where rival nations have found a footing and are, if anything, disposed to strengthen their hold." The principles thus enunciated in peace time were reaffirmed during the war, both in Mr. Hughes's speeches in America and in the resolution of the Commonwealth claiming that the island territories then held by Germany should not be allowed to remain under her control.

The policy so consistently followed cannot be explained by any one motive. At times the declarations of Australian statesmen laid stress on the need of establishing effective control over island groups and of preventing them from falling into the hands of the lawless traders of all nations; at times they were founded on an undefined sense of manifest destiny, or a feeling that the people who were geographically placed as an outpost of the white races in the tropics should in course of time become charged with authority over tropical peoples. But the main motive was strategic. The aim of all these protests and declarations was to prevent any foreign Power from acquiring a position within striking distance of our coast or our trade routes. They were not framed for any particular occasion or against any one power. The statesmen who framed them felt that

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they must safeguard the distant future, and they had in mind the truth expressed by Lord Jellicoe in his report on naval defence :—

Australia, in common with the rest of the Empire, is dependent on the security of her sea communications, but Australia is also faced with the problem of invasion due to the attractions offered by the great potential value of the land and the very small population occupying it.

Peace, however, has brought into prominence many aspects of our relations with the Pacific which has hitherto remained obscure or half-realised. The ideal of a White Australia had been spoken of by Mr. Deakin as the Australian Monroe Doctrine in the first year of the Commonwealth Parliament, and in so far as it is an ideal with which no interference would be tolerated, the analogy is exact. For twenty years it has been regarded as a thing that may possibly provoke attacks on Australia, and as a motive for defence and for the encouragement of immigration. But until the mandate was allotted, the right or the expediency of excluding people of Asiatic origin from the Pacific groups had never been fully considered. Again, the course of the war had reminded us of the duty of every country, capable of producing food or raw material, of developing its resources to the full, and Australia was faced with the problem of fulfilling this obligation in a manner consistent with the well-being of the native population.

Again, in the course of the war, an inquiry had been held in the Commonwealth by the Interstate Commission into the best means of promoting trade and of improving communications between Australia and the islands of the Pacific, and in particular of conserving the position of Sydney as a port for the transhipment of copra. It was necessary to reconsider all these problems in the light of the decision of the Allies to entrust Australia with a mandate over the former German territories. And since the war it has been necessary to consider these, like all other external problems, from a new standpoint.

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Australian responsibility means now something more than a liability to share in the cost of administration. It means that for acts which may give offence to other nations we are responsible to our partners in the Empire and to the civilised world. Having claimed a share in the direction of policy, we can no longer speak with the freedom which was legitimate when our only privilege was to offer advice. And this growth of independence has been accompanied by an almost disproportionate increase in the burden of defence. Logically a nation which claims the privilege of sharing in the control of policy should be prepared to defend itself. But this argument might never have been addressed so forcibly to Australians, if at the time that our new status was acknowledged the British Empire had not found itself impoverished not only absolutely but relatively to the remaining naval Powers. In the new world Australia relies on the co-operation of the United Kingdom and the other Dominions as she did before. But to-day she is offered co-operation rather than shelter. She must undertake to contribute to the common stock proportionately to her wealth and her population, and she must do this at a time when her own development is hampered by a vast war debt, and when the pace is being set by the two Powers whose shores are washed by the Pacific and whose wealth has been vastly increased owing to their distance from the scene of war.

It is this change in the relative strength of the British Navy that must bring home to the people of Australia more than anything else their interest in a peaceful settlement of the problems of the Pacific. When Mr. Hughes delivered his policy speech before leaving for the Imperial Conference, he held that such a settlement would be promoted by a renewal of the Anglo-Japanese Alliance, and in this view he was supported by a majority in the Federal Parliament. But a new Anglo-Japanese treaty would leave the naval competition between America and Japan undiminished. We should still contemplate the

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dangers of being dragged into the orbit of a great war, or of being exhausted by the competition of wealthier rivals. There could be no doubt, therefore, of the attitude of Australia towards the proposed Conference on disarmament, whether preceded or not by a Conference on Pacific questions. President Harding's proposal was welcomed enthusiastically by the Federal Parliament and by the Press. Disarmament or a limitation of armaments would relieve Australia from the prospect of an immense increase in her annual expenditure and from the danger of war. Further, having been brought about at a Conference convened by the President of the United States, that benefit would be purchased without the risk of giving offence to a people in many respects living under the same conditions and holding the same ideals as our own.

A nation which advocates disarmament must, however, be prepared to argue that there is nothing in its present attitude or position which could justly give offence. How can Australia pass such a test when applied to its policy in the South Pacific? We have already stated the grounds for which the acquisition of the groups was desired. They were not less cogent after the German menace was destroyed. If it was desirable to guard against the acquisition of territory adjacent to the Australian coast by a European Power in the past, the same caution was still more desirable when a great naval Power had appeared in the Far East and the world was beginning to acknowledge the vast potentialities of China in men and material.

Though the expediency of Australia adding to her own responsibilities may be questioned, there can be no doubt of the justice of her claim that these islands should remain under British control. Other questions, however, cannot be settled by exactly the same arguments. Can Australia justify her claim to control immigration? Is she within her rights in establishing a practical monopoly of trade and shipping?

It is extremely unfortunate that official information on

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the Australian policy in the mandated territories should be so difficult to obtain. Some information was put before the Federal Parliament when the New Guinea Bill was introduced to substitute a civil for a military administration, and again when Senator Millen described the result of his mission to Geneva. But on many points the enquirer must investigate for himself statements made by trading companies and the many articles which have appeared in Anglo-Japanese newspapers.

It is necessary to enter a warning against any exaggeration of the material interests at stake. In a recent number of *THE ROUND TABLE* a writer on White Australia pointed out the danger of over-estimating the amount of land remaining undeveloped owing to the exclusion of alien labour from Australia. Similarly the Commissions appointed to advise on the best means of administering these territories agree in pointing out that—

It is important to remember that the area of cultivable lands in these and other tropical countries cannot be gauged from the total areas mentioned, as, owing to the fact that so much of the country is mountainous and so much swampy and inaccessible or of poor quality, the extent of land available for settlement is exceedingly limited. Further, they estimated the annual cost of administration at £169,000, and the revenue, if certain estimated increases on the figures for 1918-1919 should be realised from custom duties and an export tax on copra, at £168,500. The total amount of copra produced in the South Seas in 1913 was approximately 14 per cent. of the world's total, of which the amount exported from German New Guinea was valued at £285,000.

The danger of exaggerating the effect of excluding Japanese and Chinese labourers from the mandated territories is at least equally serious. Under German rule, although Japanese immigrants were not allowed to acquire land in freehold, they were admitted, and at the time of the surrender in 1914 the number of Japanese in the territory was 103, and in 1919, 111. The trade statistics are open to a similar comment. Rumours have reached Australia from time to time of the progress made by Japanese traders

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in the South Pacific during the war, yet for the year 1918, the year in which Japanese trade, with all its advantages from the war, reached its highest in the Pacific, the statistics of the total volume of trade for the five most important groups, Fiji, New Caledonia, German New Guinea, the New Hebrides, Western Samoa, show that the portion conducted by Japan was only about £150,000 as compared with a combined total of about £6,500,000 for all other countries—or less than 2½ per cent. Even if to this total there be added the transshipment trade through Australia, Japan's share was still insignificant; and it has since declined.

The legal right of the Australian Government to control trade and immigration in relation to the mandated territories may be ascertained from the terms of the Covenant and from the mandate issued in December of last year. The mandate is of the C. Class and the territories among those which in the words of the Covenant can "best be administered under the laws of the mandatory as integral portions of its territory subject to the safeguards above-mentioned in the interests of the indigenous population." Acting under this clause the Commonwealth assumed the right to control the export trade and to regulate the immigration or settlement of aliens, and in 1921 applied to the Territory the Immigration Act which in substance had been in force in the Commonwealth since 1901. Under the terms of that Act all foreigners may be excluded, whether British subjects or not, but as it has been administered in recent years, no white person is excluded, if not undesirable on personal grounds, and coloured persons are admitted if they can be classed as merchants, students and tourists, and hold passports from their respective Governments. Whether the law will be interpreted with the same latitude in Papua cannot yet be ascertained owing to the extreme reticence of the Australian Government. But before the mandate was issued the right to control immigration and trade had been contested by the Japanese

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Government, the intention of the Australian Government having been foreshadowed by ministerial statements and by the refusal of the military administration to admit Japanese labourers except as substitutes for former employees, and at that time the position of a mandatory Power was by no means clear. The "safeguards above mentioned in the interests of the indigenous population" clearly prohibited the mandatory from such abuses as the slave trade, the liquor traffic and the traffic in arms, from establishing fortifications and naval bases and from introducing military service for other than police purposes. But do they oblige the mandatory to permit the subjects of foreign countries to enter or trade on equal terms? The Australian Government says they do not, and has prohibited exports to foreign countries, and discriminated against foreign shipping. The Japanese Government says they do, and has protested against the action of Australia before the Council and again before the Assembly of the League of Nations, with some support from the Governments of France and the United States.

Senator Millen, who represented Australia at Geneva, testified on his return to the increasing efforts of Mr. Balfour to secure the issue of a mandate in the form desired by Australia. His attitude was identical with that taken by Lord Robert Cecil at Versailles, when, in spite of a majority vote, he refused to accept an amendment to the Covenant of the League of Nations providing for racial equality. Ultimately he succeeded. The mandate was issued, but, as at Versailles, the Japanese reserved their right to re-open the question at some future time. Senator Millen maintains that the reservation does not weaken the validity of the mandate. It is here set out:—

From the fundamental spirit of the League of Nations and on the question of the Interpretation of the Covenant His Imperial Majesty's Government have a firm conviction of the justice of the claim that they have hitherto made for the inclusion of a clause concerning the assurance of equal opportunities for trade and com-



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merce in the mandates. But from their spirit of conciliation and co-operation and their reluctance to see the question unsettled any longer, they have decided to agree to the issue of the mandate in its present form. That decision, however, should not be considered as an acquiescence on the part of His Imperial Majesty's Government in the submission of Japanese subjects to a discriminatory and disadvantageous treatment in the mandate territories, or that they have thereby discarded their claim that the rights and interests enjoyed by the Japanese subjects in these territories in the past should be fully respected.

If the Australian Government is legally entitled to act as it has done, how far is it expedient that its right should be exercised? Of the wisdom of excluding alien labourers there can be little doubt. Our first duty is to the natives. It is thought that if they were put in competition with Indian, Chinese or Japanese coolies they would die out. The Papuan Administration has set its face against the importation of coloured labourers on the ground that, quite apart from our first duty to the natives, they must be protected in the interests of the planters themselves, and the same reasoning applies to New Guinea. Other groups—Fiji, the British Solomons, Samoa, and possibly the New Hebrides—need imported labour to preserve their tropical industries from annihilation. Fiji is at present engaged in making arrangements with the Government of India which will be free from the objectionable features of the indenture system and will bring in a number of Indians as free colonists. Samoa proposes to import Chinese labourers under an improved system of indenture. But Australia, encouraged by the results achieved in the slow and patient development of Papua, will depend on the indigenous inhabitants, and neither imported nor forced labour will be tolerated.

Against the argument for giving preferential rights to the subjects of any other Government or of encouraging any foreign settler must be set the difficulty of having any number of persons of alien ideas and modes of living in a very small community. This difficulty has been urged as

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one of the reasons for a wholesale repatriation of German nationals, and it applies, though with much less force, to the subjects of any other nation. The Commonwealth has claimed the right to begin with a clean slate, and this right is inconsistent with a claim that interests gained under German rule should be regarded as permanently established. The right to control exports, shipping facilities and development stands on another footing. At present it can be justified by the right of a mandatory to recompense itself for the expenses of government. Were oil to be discovered in large quantities in the territory, we should probably hear of protests similar to that by which the United States has claimed a share in the wealth of Mesopotamia. At present the right to take exports from New Guinea is of comparatively little importance to any foreign country, and the monopoly or the right to monopolise transport is of considerable value to the port of Sydney. But it cannot be supposed that our policy is yet permanently established. As the territory is developed and the plantations are freed from Government control, the planters will insist that shipping be encouraged and that they be allowed to choose the most favourable markets for their produce. At the same time the Australian Government will realise that it is not worth their while to risk incurring the enmity of other maritime nations by extending the operation of laws intended for the benefit of our coastal shipping to an island port in the tropics.

There is no material yet available on which to form an opinion as to whether Australia will make the best economic use of the territory consistently with our duty to the natives. Nor will it be possible to form an estimate for many years to come. The present is a time of experiment, and consequently of mistakes. Very full use has been made of the power of expropriation and of repatriation conferred by the Peace Treaty. In consequence other tropical countries will benefit by the experience and knowledge gained by German plantation managers in New Guinea.

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That native interests will be protected in New Guinea, as they have been in Papua, there can be little doubt. There may be a tendency at present to approve of and to regret the efficient German methods of coercion. But New Guinea is directly under the control of the Australian people, and on that subject Australian public opinion, as expressed in Parliament, is inflexible.

Finally, the predominant interest of this country in the South Pacific is peace, not merely freedom from war, but freedom from the competition of armaments. The Treaty of Versailles has freed Australia from the danger of having an enemy in command of the northern approaches to her coast, but has left unsettled the questions of racial expansion and discrimination in which she and New Zealand are more deeply interested than any other of the Dominions. So long as there remains a possibility, however remote, that these questions may lead to an armed conflict, Australian development must be checked, if not crippled, by the obligation of defence. Mr. Hughes, at the Imperial Conference, appears to have given his support to an arrangement under which Australia will contribute to the maintenance of an Eastern squadron besides providing for her own coastal defence. Such an arrangement would be substantially identical with the scheme proposed by Lord Jellicoe under which a fleet based at Singapore would guard the approaches to India, the Pacific groups, and Australia and New Zealand. If such a scheme is necessary for the preservation of their security or their national ideals, the Australian people must adhere to it, recognising that unless they co-operate with Great Britain their position is hopeless. But plainly it is their duty as well as their interest so to frame their policy that the need of costly defensive preparations cannot be in the slightest degree attributed to any unnecessary or unreasonable act of theirs.

In relation to Australia itself, their policy may be summarised as security for their coasts and for the ideal of a

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White Australia.\* These questions are fundamental. Is there anything in their Pacific policy which may give offence to other nations but which they cannot modify or abandon? So far as we can see, there is nothing. Consistently with our duty to the natives, we cannot admit alien labour, and we have not been asked to do so; but we may very reasonably admit merchants, students and tourists, if furnished with passports, as we now admit them to Australia. Again, the restrictions on foreign traders may be justified by the needs of a period of transition when the mandate cannot be executed except at a heavy loss to the mandatory. A trustee cannot be compelled to carry on an estate at a loss to himself. But these measures must be reconsidered as time goes on, not merely because some comparatively trifling interest of a foreign country is affected, but because the territory cannot be fully developed unless its trade is thrown open to the competition of the world.

Australia. September 23, 1921.

\* An article on the White Australia policy appeared in THE ROUND TABLE, March 1921, No. 42.

## SOUTH AFRICA

### THE RHODESIAN QUESTION

THE Parliamentary session ended in July. The Indian question and the economic situation in the Union will certainly claim the attention of Parliament in the session which is to open in February. These matters, therefore, and the attitude of the Government on Imperial and international matters in the light of the late Imperial Conference, the Washington Conference and General Smuts' protest at what he regards as the attempted diminution of Dominion status by America can be most suitably dealt with in the March number of *THE ROUND TABLE*. Meanwhile, the question which demands the most speedy settlement and therefore discussion in these pages is the political future of Southern Rhodesia.

#### I. HISTORICAL SURVEY OF THE QUESTION

SOUTHERN Rhodesia has in theory four courses open to her—continuation of rule by the British South Africa Company, representative government under the Crown, responsible government, and inclusion in the Union of South Africa. In practice, only the two latter alternatives are being seriously considered.

Representative government as a half-way house to autonomy finds few supporters. It too closely resembles the present system, under which the Chartered officials

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cannot compel the passage of taxation and other measures which they consider necessary, and the elected majority in the legislature cannot effectively control administration.

Continuation of Chartered rule is not to be looked for. Few Rhodesians desire it, and the Company does not, we imagine, wish to retain office longer than is necessary to secure the money due to it under the Cave Award and to ensure the foundation of a stable successor. The Company has been in the saddle for over thirty years, and it is tired. Rhodes, by hurrying into Rhodesia to forestall foreign competitors, did what the Imperial Government was unwilling or unable to do. He therefore strained every nerve to exclude Downing Street as an administrative factor. It is clear, however, that he did not contemplate having to administer the territory for any great length of time. His political and financial schemes were closely interwoven. He, of course, hoped that the new territory would provide a permanent source of gain to the shareholders. The mining law was expressly designed to that end. But he also hoped that the discovery of a "New Rand" would lead to such a rush of miners and settlers that Rhodesia would rapidly become the most wealthy and populous province south of the Zambesi. Not only would the province be able to relieve the Company of the cares of administration, but its weight, in conjunction with that of the Cape Colony, of which Rhodes was Premier, and of the Bechuanaland Protectorate, which he expected soon to come under Chartered rule, would oblige the Transvaal to come into that railway and customs union which was to be the prelude of the political federation of South Africa under the Union Jack.

The breakdown of Rhodes' policy after the Jameson Raid changed the whole situation. Evil days fell upon the Company and the settlers. Native rebellions, rinderpest, drought, locusts, deficits and calls for new capital came in quick succession. The Company still held the minerals and, in the absence of any definition of right by

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the Imperial Government, claimed the unalienated lands with more and more confidence as a commercial asset. It also began to talk seriously of recovering its administrative deficits if and when Southern Rhodesia became self-governing.

The Order in Council of 1898 provided for more effective Imperial control of the Company's policy, but it is really memorable because it set up a Legislative Council which included a minority of elected members. Such a system of government has always led to friction, which becomes dangerous to the constitution as soon as the elected members secure a majority. Good sense on both sides and, until 1918, the knowledge that behind the administration lay the purse of the shareholders served to postpone in Southern Rhodesia those financial crises which have usually proved fatal to this type of constitution. The long-deferred crisis has now arisen.

The main causes of friction since 1899 have been the twin questions of the administrative deficits and the unalienated lands. In the first session of the Legislative Council one of the elected members declared that Rhodesians would admit no liability to the Company for the deficits, which was a matter for the Company and the Crown to settle, and demanded to know by what title the Company held the lands.

After the Anglo-Boer war it was seen how closely these two questions were connected. It also became clear in the course of years that the Company was ready to relinquish the burden of government. It did its duty by meeting the steadily diminishing deficits, but the talk of "a good get-out" increased in volume and frequency. The Goldie scheme of 1904 implied that £7,500,000 were due from the Rhodesians to the Company. The Rhodesians were invited to recognise two-thirds as a public debt in exchange for part of the land and minerals, while the remainder was to form the basis of a trust fund to be used by the Company for the benefit of the country. The offer was refused.

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In 1907, after Lord Selborne's visit, directors went out and promised a clear demarcation between the administrative and commercial revenue and expenditure, and a popular majority in the legislature. A definition of the Company's title to the land was still withheld.

From 1907 onwards Southern Rhodesia prospered quietly. The Company made its first farming venture in that year. It gradually recovered something of its early confidence, but this time wealth and political stability were to be sought not so much in the mines as in the land. In 1913-14 three closely connected schemes were launched. The land settlement policy, by which the strip 25 miles on either side of the railway was to be settled, was not a great success. Rhodesians regarded it, rightly or wrongly, as a land-selling rather than a land-settlement scheme, and one which would entail a recognition of the Company's title to the unalienated land. Secondly, the acquisition of large cattle-runs by the Company resulted in the ear-marking of  $3\frac{1}{2}$  million acres for this purpose; and, thirdly, a Commission appointed by the Imperial Government effected the final definition involving in some cases the modification of the native reserves of  $19\frac{1}{2}$  million acres in extent.

Time was required for these schemes to mature. Meanwhile the High Commissioner, Lord Gladstone, had led the Rhodesians to expect great political changes in 1914, when it would be open to the Imperial Government to put an end to the Company's administrative powers under the Charter. At the general election of that year the Directors and their supporters, however, plainly intimated that inclusion in the Union was the real alternative to a continuation of the Charter. For a variety of reasons, not least of which was the outbreak of strife between Botha and Hertzog, union was distasteful to the Rhodesians. They therefore returned a House pledged to support the prolongation of Chartered rule. It was prolonged accordingly, but by the supplementary Charter of 1915, which



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was issued with the explicit concurrence of the Company it was provided that the Imperial authorities might at any time entertain a request for responsible government if a majority of the whole Legislative Council made such a request supported with proofs of fitness, "financial and otherwise," to carry on such a system. It is this claim which is now being advanced.

The Company, on the other hand, undertook to carry out its statement of policy of 1913, and announced that the £7,750,000 deficit need trouble the Rhodesians no more, as this was money well spent in the acquisition of the land and minerals. The elected members, nevertheless, demanded a settlement of the land question. After proceedings covering four years, the Judicial Committee of the Privy Council, in July, 1918, decided that the land had always been Crown land since the elimination of Lobengula. So long as the Company administered Southern Rhodesia it was to apply the proceeds of land sales to the reduction of the accumulated deficit and, if it lost the administration, it was to look to the Crown for reimbursement either from the further sale of the lands or, if these were granted away to some other party, from the public funds.

Three results followed from this decision. Chartered shares rose, for it was now the Crown, not the Company, that was committed to a speculation in the value of Rhodesian land. Secondly, the Company once more put forward its claim for the refund of its accumulated deficits with interest, and the Cave Commission was appointed to fix the amount. Lastly, the Chairman announced that since the Company had lost the land, and since Rhodesians refused to look upon the deficits as a public loan, Rhodesia must henceforward look elsewhere than to the Company for money. This may have been the only attitude which the Company could be expected to adopt, but it meant that Southern Rhodesia was drifting towards a financial crisis, since the Company could not be expected

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to spend money on capital expenditure, the Crown refused to allow it to borrow money on the security of administrative revenue alone, and the Rhodesians, in their anomalous political situation, were unable to borrow in the open market.

Since 1918 the real alternatives before Southern Rhodesia have been responsible government or inclusion in the Union. Amalgamation with the South is no new idea. It was Rhodes' original scheme, and of the two alternatives has always been the more serious possibility. At the end of the Anglo-Boer war there was intelligent anticipation in some quarters of a federation, while the Transvaal, Free State, and Southern Rhodesia were temporarily under official control. In 1907, again, rumours of negotiations for the sale of the Company's assets to the Transvaal were current. In 1908-9 Southern Rhodesian delegates sat in the South African National Convention. They accepted the customs union, but declined political union with the other provinces. In 1913 Botha made a speech which served to give point to the statement at the subsequent Rhodesian elections that union was the alternative to Chartered rule. At the outbreak of war in 1914 rumour was once more afloat while Botha was actually in Rhodesia. In 1919 again the pro-Union party in Rhodesia organised its forces, and the Nationalist press in the Union raised the alarm that Botha and Smuts were about to bring in a phalanx of Rhodesians "to break the back of Afrikanderdom." Finally, since the Union elections of 1921 established Smuts and the united South African and Unionist parties in power, there has been a recrudescence of pro-Union sentiment in Southern Rhodesia and a growing discussion in the Union of the pros and cons of admitting Southern Rhodesia as a sister province at an early date.

Whatever substance the fear of being handed over to the Union may have had in times past has been dissipated by the attitude of the Company, the assurances of the Imperial

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authorities and the recent statement of the South African Premier that admission will only take place when the Rhodesians "of their own free motion" ask for it. All parties concerned have been too wise to risk the inclusion of a possible South African "Ulster," even to meet the claims of traditional policy, and of economic and geographical convenience.

Recent years have seen the growth of a steady demand in Southern Rhodesia for responsible government. Since 1908 ordinary recurrent administrative expenditure, though not expenditure on capital account, has been met from administrative revenue. After the Privy Council's decision in the Land case and the Company's definition of its new attitude towards the finances, eleven out of the twelve elected members declared in favour of responsible government and asked the Colonial Secretary what proofs he required of their fitness to undertake it. Lord Milner declined to answer hypothetical questions, and indicated the presence of over 770,000 Natives as against 33,000 Europeans as a serious obstacle. The main difficulty in his eyes, however, was obviously finance.

At the general election of 1920 twelve out of thirteen members were returned pledged to responsible government.\* It should, however, be noted that the implicit alternative was union, for Chartered rule was clearly drawing to a close, and the pro-Union party had been routed before the battle by the indecisive result of the South African election in the previous month. That election left Smuts to carry on the government and maintain the Union constitution with a party which was outnumbered by the Republicans, and which therefore had to rely on the support of the still independent Unionists and the generally hostile Labour party.

The Responsible Government party, then, gained the

\* For responsible Government, 4,663; for continuation of the Charter, 868; for representative Government under the Crown, 420; for union, 814. Total, 6,765. Total enrolled voters, about 11,500.

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absolute majority in the Legislative Council required by the supplementary Charter. They promptly petitioned the Imperial Government for responsible institutions. Lord Milner again counselled delay, at least till the election of 1923 had ratified or rescinded the decision of 1920, and again he supported his advice with arguments mainly based on financial difficulties. Then, in January, 1921, came the Cave Award. The situation was at once profoundly modified. The Company had claimed a net refund of £7,866,000. The Commission awarded it £4,435,000 in respect of deficits secured upon the land or the public funds in terms of the findings of the Privy Council, and added that the Company would further be entitled to compensation for public works and buildings taken over under Article 33 of the Charter. This compensation will amount to about £830,000. The sum of £4,435,000 was, however, to be subject to the deduction of the value of the land (some 3,750,000 acres) which the Company had set aside for its own commercial use, and of the value of land and rights granted for consideration other than cash to railway and other subsidiary companies. It omitted, however, to state the amount of either of these deductions, an omission which is now causing embarrassment to Crown, Company and Rhodesians alike. It also refused to allow the Company's claim for interest.

The elected members continued to press for immediate responsible government. They found the new Colonial Secretary, Mr. Churchill, willing to go into the question. A Committee, under Lord Buxton, was appointed, which reported in favour of drafting a scheme of responsible government which, subject to rigorous safeguards of Native interests and to the Company's lien upon the Crown lands, was to be placed before the Rhodesian electorate at a referendum.

A delegation of elected members, with Sir Francis Newton, was therefore appointed to go to London to assist in the drafting of this constitution. Meanwhile the pro-

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Union party rallied and presented a widely signed petition\* to the Colonial Secretary asking, not for union, but for the ascertaining of the terms which the Union would be prepared to offer. At the request of the Colonial Secretary, the delegation met General Smuts at Cape Town, *en route* to England. Neither party was in a position to negotiate. Indeed the South African Premier made it quite clear that terms must be discussed at a round-table conference to be held, if at all, before the referendum. General Smuts frankly stated that his Government was "anxious that Rhodesia should be admitted into the Union as soon as possible." Generous representation in Parliament would be given her on the analogy of Natal and the Free State; money would be forthcoming for industrial, agricultural and railway development; the Union would acquire the Company's interests in the Crown lands, in the minerals and railways; land settlement would be pushed on. This strong bid for inclusion in the Union cheered the hearts of Rhodesian pro-Unionists and Chartered shareholders alike.

At the time of writing the Rhodesian delegation is in London discussing matters with the Colonial Office. Two questions now arise. Can Southern Rhodesia stand by herself? If she enters the Union, what will her entry mean to herself and to the other provinces?

Southern Rhodesia covers nearly 150,000 square miles of territory. The central portion is a plateau some 4,500–5,500 feet above sea level, which slopes down on either hand to the relatively low-lying and unhealthy valleys of the Limpopo and Zambesi. The bulk of the 33,000 European inhabitants live within 25 miles of the railway, which runs along the watershed. Alongside of them dwell over 770,000 Bantu. Some 425,000 live a tribal life in the 19½ million acres reserved for them, 125,000 dwell on Crown land, and 150,000 upon European farms.

\* 8,500 signatures.

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The presence of so many natives raises serious problems whether Rhodesia comes into the Union or not. One and a half million South Africans are already responsible for the government of at least four times their number of Bantu. The addition of 770,000 more is no light matter. If any portion of Northern Rhodesia should be joined to Southern Rhodesia the number of natives would be very considerably increased, and, on the other hand, only a few thousand would be added to the white population. Doubtless South Africans and Rhodesians together would be equal to the task, but a careful study of the Buxton Report suggests that, however much the Committee may have felt itself bound by its terms of reference to devise some scheme of responsible government, it felt grave doubts as to whether self-governing Rhodesia alone would be able to carry the burden.

Sir Charles Coghlan, leader of the Responsible Government party, has declared that self-governing Rhodesia would be "quite content with the authority over the natives given to the B.S.A. Company." But Imperial control over the Chartered Company is one thing, control over self-governing Rhodesia quite another. Sections 63-66 and 80 of the Buxton Report detail the proposed safeguards. The Order in Council of 1898 is to be maintained as far as possible. The Secretary for Native Affairs, Native Commissioners and Assistant-Commissioners are to be appointed subject to the approval of the High Commissioner. Their salaries are to be fixed, and are only to be altered with his consent.

The High Commissioner is also to have power to demand the suspension or dismissal of any of these officials. All this is very much like control of a whole department of State—and that the Prime Minister's department—and the partial control of other departments in so far as they deal with Native affairs. Of two things one. Either these safeguards will be illusory—as illusory as the powers reserved to the Imperial authorities in the Natal Respon-

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sible Government Constitution of 1893, which had to be abandoned in 1906 in face of the threatened resignation of the Natal Ministry—or they will be real—in which case, the Buxton Committee proposes something which is not responsible government in Native affairs. Nor can it be denied that these limitations, if real, will prejudice Rhodesia's possible entry into the Union at a later date, a contingency which the Committee states that it is anxious to avoid. If the Committee or the Imperial Government mean to suggest that these safeguards can be abandoned if and when Rhodesia enters the Union, the inference is obvious.

### II. THE FINANCIAL QUESTION

**T**HE real issue on which Rhodesia's political future turns is, however, finance. Can she pay her own way and secure money for development? If she comes into the Union, what will she bring with her in the way of assets and liabilities? Minerals, land, railways and taxation are here inextricably interwoven. The Company holds the minerals under the famous Rudd concession. Self-governing Rhodesia will thus be deprived of one great asset on which new territories usually reckon in the early stages of development. The loss, though serious, is not fatal. The owners of the minerals and the mining companies can be taxed, but obviously the extent of this taxation must be limited if mining is not to be injured under present conditions. Besides, the B.S.A. Company will urge that since it was as holder of the minerals that it was induced to open up the country to European settlement and enterprise, justice demands that it shall not be made the special milch cow of the Government.

The immediate financial situation is governed by the Cave Award. How much must be paid to the Company before it can hand over the machinery of government and

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relinquish its hold on the Crown lands? And who is to pay?

The Cave Award allowed the Company £4,435,000, secured against the Crown lands, as follows:—

On administrative account .. .. .	£3,022,516
Depreciation on public works, buildings, roads, etc. ..	860,295
Movable assets .. .. .	249,407
Debtor balances, less creditor balances .. .. .	112,921
Capital expenditure on land settlement .. .. .	190,086
Total .. .. .	£4,435,225

The Buxton Report states that under these circumstances the new Government would start life with a debt of about £1,500,000, as follows:—

Movable assets .. .. .	£250,000
Debtor balances .. .. .	113,000
Public works, etc., under Section 33 of the Charter ..	830,000
Imperial loans for capital expenditure for the next two years .. .. .	300,000
Total .. .. .	£1,493,000

If self-government were deferred till 1924, the Imperial loan of £150,000 for an additional year would raise the total to £1,650,000. The new Government would also have to buy the land on which the public buildings stand, in addition. This the Committee describes as a "small item," but the Report gives no guide to an estimate of its actual amount. The Rhodesian view is that whatever the figure it should not include an unearned increment which they themselves claim to have largely created. The Rhodesians also note that the £830,000 for public works is liable to considerable reductions. The Crown will have to pay the Company at once so much of this sum of something over £1,500,000 as represents the value of those assets which it requires to take from the Company in order to establish a new Government. It will then have



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to recover its outlay from the new Government. Many Rhodesians hope, however, that, as has been done in other cases, the Crown will hand over the assets without payment. This hope may be unduly optimistic, but they note that the Union is receiving valuable military buildings with these sites for a very small sum, and continue to hope that the Imperial Government will deal even more generously with them.

Meanwhile the Crown lands remain "in pawn" till the Company has received in one way or another the whole of the amount of the Cave Award, less the £363,000 for movable assets and debtor balances, which the new Government must acquire before it can function. Roughly this sum is £4,100,000, less the deductions, whatever they may be, for the value of the land which the Company granted to its commercial side, and the value of the land and rights which it disposed of for consideration other than cash.

The Crown lands, roughly half the area of Southern Rhodesia, on which this sum—*i.e.*, the amount of the Cave Award less the above-mentioned deductions—is secured, are distributed as follows :—

	Within 25 miles of the railway.	25-50 miles distant.	Over 50 miles distant.
Acres	.. 8,360,000	13,800,000	25,800,000

About half of the lands lie below the 3,500 ft. level, below which land, though excellent for cattle, is not commonly regarded as so good for general settlement. Much of it can only be opened up to profitable settlement by the construction of roads and railways, entailing heavy capital outlay.

It is to the interest of both the Company and the Rhodesians that the Company mortgage should be paid off as soon as possible. The Company wants its money, the Rhodesians want the land. The finding of the Privy Council which governs the situation is ambiguous. The

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reference to reimbursement "from the public funds," if this land be granted away, suggests that the Company is to receive a lump sum down; the reference to reimbursement "out of the proceeds of further sales of the lands" suggests that the Company will receive its money piecemeal on what must be a long term of years, unless indeed the Crown lands be bought *en bloc* by Southern Rhodesia or, as General Smuts has suggested, by the Union.

The Colonial Office and the Buxton Committee apparently anticipate the piecemeal process. The latter proposes a Land Board consisting of one nominee of the Rhodesian Government and one of the Company, under a chairman appointed by the High Commissioner. Such a scheme promises a maximum of friction with a minimum of result. The Company is bound to press for the rapid sale of the lands at the highest possible price, the Rhodesian Government must try to conduct the sales with an eye to the public interest. The Imperial authorities, torn between a desire to further the welfare of Rhodesia on the one hand and on the other to secure the speedy reimbursement of the Company, will be in an unenviable position. Meanwhile the obvious policy for the Rhodesians is to press the Imperial Government to pay off the Company, and either to present them with the Crown lands or to let them have them upon easy terms.

The latter course would entail a loan in addition to the loan which must be raised to meet the initial £1,500,000 detailed in the Buxton Report. That Report anticipates that £1,500,000 could be raised at the annual cost of "over £100,000" for sinking fund and interest, the latter presumably at 6 per cent. But British securities give  $5\frac{3}{4}$  per cent.; Indian and Canadian at least 6 per cent.; in 1919-20 Nigeria, the Gold Coast, and the Sudan had to pay  $5\frac{1}{2}$  per cent. to 6 per cent. with an Imperial guarantee. The Buxton Committee would seem to have been unduly optimistic as to Rhodesia's borrowing powers, unless, of course, it anticipated an Imperial guarantee.

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Closely connected with the prospective value of the Crown lands is that of railways. Excluding the 600 mile railway from Vryburg to Bulawayo, there are 1,250 miles of line in Southern Rhodesia, all built by companies in which the B.S.A. Company holds a controlling interest as owner of 85 per cent. of the shares in the Trust which controls the whole group. Whether or no the Rhodesian railway rates are still unduly high in comparison with Union rates, it is certain that there is a growing irritation in Rhodesia against the fixing of the rates by an external body. It is also clear that little more in the way of railway extension is to be expected under the present régime. Hence General Smuts' promise that the Union would acquire the Rhodesian railways and furnish extra facilities makes a powerful appeal to the Rhodesian public. £15,500,000 would be required to buy the assets of the railways and to pay off the debenture holders. £2,250,000 would suffice to purchase the shares alone. Self-governing Rhodesia does not propose to attempt either course. In that case she must frankly face the possibilities of accentuated friction with the Railway Companies, and, if she brought legislative pressure to bear too hardly upon them, the risk of receiving no further assistance in the extension of railways from outside capitalists. This difficulty leaves out of account the danger, of which South African history supplies many instances, of political friction arising out of railway disputes between neighbouring Governments.

As touching taxation, Southern Rhodesia has met current but not capital expenditure from current revenue since 1908 by dint of economy. At present her budget balances with a small surplus at about £1,100,000. Self-government means interest on the Buxton £1,500,000 and on further loans for development. Opponents of responsible government point out that the taxation per head of Europeans in Rhodesia is already heavy as compared with that in the Union. The calculations are not always convincing, as it is forgotten that South Africa pays pro-

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vincial as well as Union taxes, and the burden is shared by a large coloured population which, from the tax-gatherer's point of view, is "European." For some time past good times have rendered Rhodesia's revenue elastic. It remains to be seen how this elasticity will be maintained. Much of her taxation is direct, and therefore contracts in bad times. Of the income tax, light compared with England, the bulk is paid by mining companies with headquarters overseas. Heavy taxation might well lose Rhodesia more than it gained in this department. An unimproved land tax levied on "development" companies would possibly be more likely to secure the Rhodesians new Crown land than immediate revenue. To squeeze the Chartered Company and the Railways might prejudice their chance of securing those loans of which Rhodesia stands in need. The best hope of the Responsible Government party is the steady influx of settlers with adequate capital. But to secure this Rhodesia must get control of the Crown lands. It all comes back to the land at last.

### III. GENERAL CONSIDERATIONS

**E**CONOMICALLY, geographically and historically the connection between Southern Rhodesia and the Union is very close. Southern Rhodesia has been largely colonised from the South. Her civil law is Roman-Dutch; her appeals lie to the Union courts. Her railway system is continuous with that of the Union, which actually works the line as far as Bulawayo; her trade is mainly with the Union or Union ports. There are, however, forces which pull in the opposite direction. Many Rhodesians would accept federation who will not readily accept union; hence the significance of General Smuts' promise of measures to avoid "undue administrative centralisation." There is also the much discussed difficulty of finding sufficient men

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of leisure and experience to represent Rhodesia in the Union Parliament as well as in the Provincial Council at Salisbury. There are also sentimental objections. Most Rhodesians pride themselves on being British. They object to the necessity of accepting bilingualism in the schools and public offices, but it may be suggested that their fear is overrated. Natal is maintaining her essentially English-speaking character in spite of bilingualism, elementary education is a provincial matter, and, in Rhodesia, the fact that her Afrikaans-speaking people are for the most part grouped in one or two localities suggests an easy solution of the educational problem. The Republican agitation is repellent to Rhodesians. To them it spells Krugerism, and they want none of it. But it would seem that they have for the most part failed to note that the amalgamation of the Unionist and South African parties and the knowledge that Labour is sound on the constitutional issue have profoundly modified the aim and direction of Nationalism. Independence is still affirmed as a principle, but it is affirmed with less and less enthusiasm. In spite of the efforts of a *legatus a latere* from Mr. de Valera, Nationalism in the country, as for instance at the Cape and Transvaal congresses, concentrates more and more on economic issues, and in the House assumes more and more the rôle of a regular Opposition. In other words, the movement is becoming more National and less Republican, a highly desirable development.

Even if this be so, Rhodesians still fear that the Crown lands will be used to satisfy the wants of the Union's "poor whites," most of whom are Afrikaans-speaking. It has been suggested that S.W. Africa will be used for this purpose, but many Rhodesians would prefer to see this an accomplished fact before laying open their own country to an unwelcome invasion. In conclusion, they assert that they can carry out their own Native policy better without the assistance of the Union than with it, and that, even if union be the ultimate destiny, Southern Rhodesia

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should have a preliminary period of responsible government during which she may find her own feet.

Many, both in South Africa and beyond its borders, will find much to sympathise with in these ambitions, calculations, and even prejudices. But whatever the heart may feel, the head will have its say. Natal, which the Buxton Report uses so much as the nearest probable parallel to self-governing Southern Rhodesia, enjoyed sixteen years of responsible government. In 1906 she had to borrow external aid to crush a Zulu rebellion. In 1909 she entered the Union seriously embarrassed financially. The other colonies admitted her on good terms partly because of the prevalence of a generous "union spirit" at that time, but largely because they needed her port of Durban. Southern Rhodesia, unfortunately for herself, has no port at all. The fact gives food for thought.

The large body of Rhodesians who favour ultimate union should not therefore reckon on receiving better terms than are outlined in General Smuts' present offer. On the other hand, the argument which is sometimes used—that Southern Rhodesia must come into union at once to save the Union constitution and the British connection—should not be allowed too much weight. General Smuts' bid was not the bid of a ruined man. The enlarged S.A.P. gained a clear majority of 23 at the 1921 elections. Nationalism neither gained nor lost; it was the Labour party which suffered. Since the elections economic issues have held the field, and here the Government has lost credit. Its action has been rightly decisive in the direction of economy in the public services. In finding ways and means to reduce the cost of living, internal strains between Free Traders and Protectionists, land-taxers and anti-land-taxers and so on have at times reduced it almost to paralysis. The result has been the loss of two Cape Town constituencies to Labour. Smuts' majority has thus been reduced, and bye-elections will be perilous for some time hence, but there is good reason to hope that the country

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will have weathered the bad times and the Government their inevitable season of unpopularity before the next general election comes.

The point for Rhodesians to grasp is that such losses as the S.A.P. has suffered have been inflicted by Labour and not by Republicanism. Nor from the mere S.A.P. point of view is it certain that the entry of Southern Rhodesia would supply "a solid phalanx" of S.A.P. men. A leading member of the Responsible Government party has recently estimated that out of a probable thirteen members, three or four would be Labour and one or two Nationalists. It may be that this estimate is mistaken; it may be that the large number of electors who did not vote at the last Rhodesian election would turn the scale in favour of S.A.P. candidates if ever the Union constitution and the British connection were again in danger; it may be that such a contingency might arise if S.W. Africa threatened to send a considerable number of hostile members to the Union Parliament. But the whole argument of the question of Rhodesia's entry on the basis of party advantage is faulty. Time brings such strange revenges. To-day Rhodesia has something to offer to all South African parties. They do not, moreover, wish to have the question made a party, still less a racial, issue. If they decide for union it will be on no narrow grounds, but because the same wide South African patriotism as inspired their founder appeals also to them, and because they see, as he did, that such patriotism, far from being inconsistent with, is a necessary part of their devotion to that wider Commonwealth of which the Union is an essential prop.

Meanwhile it is practically certain that the alternatives of Union or Responsible Government will be placed before the electorate at the coming referendum. There is the risk that, if Union be defeated, ultimate Union will be deferred rather than hastened. But if Responsible Government alone be proposed and is defeated, what is to be the next step? It would seem that the risk must be taken in

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the interests of all Africa south of the Zambesi. The general sentiment of Southern Rhodesia towards Union is admittedly lukewarm, and it will be difficult for South Africans to place their case before the electors without being accused of "Southern intrigue." It lies with the Responsible Government men, especially those who favour ultimate union, to consider seriously whether it would not be better for Union to take place soon rather than late.

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### THE 1820 MEMORIAL. SETTLERS' ASSOCIATION

**T**HE Conference of the 1820 Memorial Settlers' Association, which met in Durban on October 25th, showed that at least one scheme of settlement within the British Commonwealth has lately been started on sound and successful lines. As its name suggests, the Association has been in existence since last year, when it was founded, largely by the energy of Sir Charles Crewe, to mark the centenary of the great settlement of the Eastern Province of Cape Colony in 1820. It is the most practical, as well as the most ambitious, part of those celebrations, and the list of its supporters, who include every member of the Government and the leading men of all parties and professions throughout the Union, has given it an importance which was never imagined when Grahamstown first set out to commemorate its founders.

The Scheme of Settlement for which the Association stands is necessarily of a special character. As everyone knows, there is little hope in South Africa for any settler without a certain amount of capital. A large native population makes it impossible to begin at the bottom rung of the ladder as an agricultural labourer. And, while the temptations offered to capital by South Africa are



## The 1820 Memorial Settlers' Association

peculiarly specious and insistent, there are unusual dangers in the path of the investor without local training and local experience. The Association therefore has concentrated its efforts from the outset on safeguarding such capital as the would-be settler may possess and on preparing him to make the fullest use of it. It accepts no one who cannot show that he has £1,500 (or, in the case of a married settler, £2,000) with which to begin his farming career. It has no land of its own for disposal, and is not concerned to encourage investment in one part of South Africa rather than in another. Its functions are limited strictly to selection, education, and advice.

A settler must first be "approved" by the Association or by its London Committee, which is composed in the main of men with South African experience. In other words, he must show to their satisfaction that he can produce the requisite capital, that he is of suitable age, and that his moral and physical qualities fit him to be a welcome citizen. Having done this, he is free to start for South Africa with some assistance towards the cost of his voyage and a complete organisation to look after him at the other end. An established farmer, selected with the same care as the settler himself, is waiting to receive him—if possible, in that part of the country for which he has expressed a preference. Here he is provided, for as long as two years if he chooses, with full board and lodging, with a free practical training in the branch of farming which appeals to him, and with opportunities of seeing the country for himself. Meanwhile, his capital is kept intact—either by the Association or by his own bankers—and he can invest it as he pleases when his period of training is over. The best advice is at his disposal from the moment of his arrival, and he has every chance of making a good start on his own account.

A scheme of this kind is not comparable, of course, with the great projects of immigration which find favour in Canada and Australia, where the conditions are altogether

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different. It is an experiment of a special kind, appealing to a class which is bound to be restricted but is always in existence, and is larger than usual at the moment in England because of the upheaval of the war, the reduction of the army and navy, and to some extent also because of changing circumstances in India. Moreover, it entails no charge on the public funds either of the United Kingdom or of South Africa, but is supported by the subscriptions and above all by the co-operative work of the members of the Association themselves. Sir Charles Crewe was able to announce at Durban the other day that upwards of 150 settlers, all of them with adequate resources, were already established through their agency in different parts of the country, and the volume of applicants thus successfully started is growing week by week. The South African office of the Association is at Juta's Chambers, Adderley Street, Cape Town, and the London office at 175, Piccadilly.

South Africa. November, 1921.

## NEW ZEALAND

### I. THE IMPERIAL CONFERENCE

THE Dominion displayed in general but a limited interest in the doings of the Imperial Conference. The Government's failure to enlighten the country before the Conference met, as to the possible course of action to be followed in London, has been touched on in a former number of *THE ROUND TABLE*. Mr. Massey sailed without taking Parliament or the country into his confidence, and little effort was made to gauge the feelings of the electors as to the policy they wished the Dominion's representative to follow in dealing with the problems awaiting consideration in London. Little endeavour was made to prepare the minds of the people for the Imperial Conference, or to make it clear that such a meeting was necessary. In short, Mr. Massey left New Zealand bearing with him, as far as Parliament and people were concerned, a blank cheque.

The cabled reports concerning the doings of the Conference were lengthy in comparison with the reports appearing from day to day in the leading English journals. The Australian and New Zealand Cable Association certainly gave the New Zealand press much fuller information than was available for newspaper readers in England; but embedded in the reports was far too much criticism. Throughout the period of the Conference the cable messages were coloured by the working of individual opinion, and the undue prominence given to the work of the Commonwealth Prime Minister was a source of irritation

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to the public. Though Mr. Hughes undoubtedly played a leading part in the activities of the Conference, it would appear that he did not refrain from inspiring the Australian Press Agency with an abnormal sense of the magnitude of his labours. New Zealanders were reasonably interested in Mr. Hughes, but they had no appetite for the exhaustive details of his personal triumphs, or for somewhat unconvincing reassertions as to his power and prestige among the Dominion Premiers. In short, unbiassed reports of the proceedings of the Conference were at no period forthcoming, and the cable messages throughout showed an unrestrained tendency to give views rather than news.

Comment in the New Zealand press on the course of the Conference was appreciative of the results attained. Undoubtedly the value of these results was fully recognised, but some little disappointment was shown in that few positive decisions were announced. The fact that the system of conferences has stood the test of new conditions is itself a satisfactory result; and the general course of events has shown the marked difference in the relations between the Old Country and the Dominions since 1914. In that year, as one journal pointed out, the United Kingdom made "the most momentous decision in the history of the British peoples," without consulting overseas opinion. That such action would be taken by Great Britain to-day without first listening to the voice of the Dominions is inconceivable. Possibly the realisation of this decided change in the management of Imperial affairs was the cause of the desire to bring about a change in nomenclature. The selection of the term "Empire Cabinet" was most unfortunate. Despite its total lack of suitability or accuracy the word seems to have become to a large extent recognised and established. A message from Vancouver reports Mr. Massey's comment on the speech delivered by Mr. Lloyd George at the conclusion of the Conference, concerning which Mr. Massey asserted that "it made it plain that the Conference was now an Empire Cabinet

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vested with the powers of a Cabinet.” The absurdity of calling the Imperial Conference an Empire Cabinet is as obvious as are the practical difficulties of establishing such a body as a real Imperial Cabinet. Such a point does not need labouring here ; but this new designation has been subjected to severe analysis and has suffered much adverse criticism by the leading New Zealand newspapers.

Discussions on the subject of the Anglo-Japanese Treaty at the Conference were not thought here to be productive of any valuable or definite results. The same applies to the problem of naval defence. These two matters may be said to have held more significance for New Zealand than any others engaging the attention of the Conference. One remark should be made with regard to the relation of the Conference to the Anglo-Japanese question. The Imperial Conference at least created a favourable atmosphere for the forthcoming gathering of statesmen at Washington ; in view of the supreme importance of the Disarmament Conference to the future of the Pacific, this was extremely desirable. Both the Anglo-Japanese Alliance and the naval defence question ceased to be matters for decisive pronouncement by the Imperial Conference as soon as Mr. Harding’s invitation was issued, when they became subject matter for the International Conference to be held at Washington in November. This fact makes the “ colourless character of the conclusions ” arrived at by the Conference a matter of small concern compared with the larger aim it serves.

Mr. Massey will no doubt bear with him details of the proposals for strengthening by aerial communication the ties of Empire. The question is one of great importance to New Zealand, the farthest outpost of the Empire, dependent as it is for communication with the Old World on mail services which are far from efficient. The method of sending mails is in the interests neither of swiftness nor of regularity—the two essentials of a good service. The suggestions put forward at the Imperial Conference for the

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development of high-power wireless communications and the establishment of long-distance airship services have been warmly approved of in New Zealand, and Mr. Massey's report on the subject will be eagerly looked for.

### II. THE COMING SESSION

PARLIAMENT is due to meet on September 22, about a fortnight before Mr. Massey's return to Wellington from the Imperial Conference. The season of the year is unusual for the beginning of a Parliamentary session, many of the farming members having urgent calls upon their time owing to preparations for the approaching harvests. Nevertheless the Government's programme is an extremely heavy one, and unless the session's work is hurried through, much of the legislation is likely to be relegated to the last session of the present Parliament.

The revision of the Customs tariff is, apart from finance, the most important task of the session. Mr. Massey has stated his intention of taking charge of this Bill, and owing to his long absence from the Dominion it is not likely that the measure will be ready for presentation before the end of October. The Tariff Commission has been engaged during the year in hearing evidence from those likely to be affected by the revised tariff. These interests, particularly the Manufacturers' Association, may be anxious to make fresh representations to the Commission or the Government, after they have seen the items in the revision. At present no indication has been given as to the lines the Commission will take in drafting the Bill. As soon as it is presented the new tariff will come into operation by resolution of the two Houses, and in pursuance of the law the tariff measure must be placed on the Statute Book before the session ends. Therefore, unless members are content to lengthen the sitting of Parliament into the opening months of the New Year the new tariff must

## The Coming Session

necessarily be adopted without any exhaustive discussion. In consideration of the fact that the tariff was last overhauled 14 years ago, and that in it there are 500 separate items, each of which will claim attention in detail, it is suggested that the Australian Commonwealth Parliament's example will be followed in New Zealand, the Tariff Bill being carried forward to a later session for final consideration after the tariff resolutions have been adopted.

Exactly what lines the Government will follow in its revision policy is still a matter for speculation. Obviously, the present precarious condition of the country's finances will influence any movement to remit duties on commodities of common consumption, just as the fear of reducing revenues is the only possible explanation the Government can offer for maintaining certain extremely questionable methods of taxation. Otherwise the principle of reducing duties on necessaries which was followed when the late Hon. J. A. Millar handled the tariff revision might reasonably be expected to be applied again. Expectation of continuation along these lines is by no means general, though it is thought that the temporary tax on tea may disappear. Mr. Massey has made no secret of his leanings towards preference within the Empire and the encouragement of Dominion industries. His opinion in these matters may be expected to stand in strong contrast to those of a House dominated by farmers who have shown a decided preference for the open market. In view of the fact that the Government must look to the Customs to return a large share of the increased revenue that is urgently needed, and that the Ministry is mainly a farmers' Government, it is very unlikely that there will be any appreciable increase in the rates for protective purposes. We may look to a tariff framed mainly with an eye to revenue.

Taxation is a subject that can hardly fail to attract the attention of Parliament in the new session. From all quarters of the Dominion there has come an insistent demand for relief from the burden of income taxation.

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The Prime Minister has promised reduction, and if he proposes to redeem this promise much interest will be taken in the methods adopted.

A great deal of criticism has been levelled at the Government for its apparent disinclination to face the urgent need for economy in the public service, and more than one of the leading newspapers have attacked the Government severely on this point. Considerable alarm has been expressed at the revelation that during the last four months there has been a considerably greater excess of expenditure over revenue than is usual in the first part of the financial year. This points to the fact that during the hard times to come the Government will have to economise as widely as possible, especially in its expenditure on State departments.

Finance matters in general will be the main source of discussion and legislation, and the Minister of Finance will find the burden of the session's work falling on his shoulders. Sir Francis Bell has indicated the action contemplated by the Government in bringing about the modified extension of the moratorium in so far as it relates to deposits. This particular moratorium was instituted early in the year to protect public bodies, corporations and firms who at that time held deposits amounting in all to some £10,000,000 at call or for short periods. At that time the resources of the banks were heavily strained, and despite the criticism which came from many quarters against the Government's action there is no doubt that, taking a broad view of the case, the measure was amply justified. The practice of private non-banking firms accepting deposits at call or short periods should have been limited by the State long ago, as it is contrary to one of the first principles of banking; but the evil was there and had to be dealt with by the method which promised the least net harm. The moratorium is due to expire at the end of the year, and according to a statement by the Chairman of the Bank of New Zealand (Mr. Harold Beauchamp) "it is quite obvious that the banks will still be unable to find all the money for their customers to discharge



## Samoan Administration

their liabilities in respect to deposits." Therefore, Mr. Beauchamp suggests that, with regard to deposits, borrowers be allowed to repay over a period of two years, a longer term being extended in the case of mortgages.

Another measure that will occupy the attention of Parliament in the course of the session is the Highways Bill, embodying an extension of State control and maintenance of the main arterial roads. This proposal has long been discussed in motoring circles, and the provisions of the Bill will be generally approved. Two taxes, a tyre tax and a wheel tax on motor vehicles, will provide the necessary revenue for the improvements and maintenance of the country's national roads.

### III. SAMOAN ADMINISTRATION

"THE administration is not nearly as bad as it has been painted, though it is not by any means perfect," writes a Special Commissioner of the *Sydney Morning Herald*, who has been investigating the state of affairs in Samoa. The cabled extracts from the *Herald's* articles have made interesting reading, conveying as they do the views of a thoroughly impartial observer. The general impression conveyed is that the work of the New Zealand administration has been marked by sincere endeavour to advance the welfare of Samoa, and that "the diatribes which have been so widely published to the injury of New Zealand's reputation have been both extravagant and unfair." Such information, coming from such a quarter, is highly satisfactory to those whose judgment of the Samoan situation has necessarily been based on ministerial generalities and vague complainings from the European residents. It goes to show that if New Zealand administration has not been altogether enlightened and productive of political contentment on the island, its efforts to guide the affairs of Samoa since the

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acceptance of the mandate have been altogether commendable in that they have been honest and disinterested.

In reviewing the situation, the *Auckland Star* sets down the failure of the administration to preserve harmony to lack of experience in dealing with tropical peoples. The journal compares this non-success in governing a native race so "high-spirited, proud, dignified and sensitive" as the Samoans with the troubles that attended the clash of Maori and European customs and interests in the early days of the British occupation of New Zealand. The *Star* considers that the Government might ask for the assistance of the Colonial Office :

The *Sydney Morning Herald's* correspondent takes the view that we have held from the beginning, that *Samoa would be better off as a Crown Colony*, but since *the conversion is apparently impossible*, our Government might do the next best thing and *ask the Colonial Office to supply one or two officials experienced in the problems that face the administration of tropical territory*, who would furnish the qualities that the present administration apparently lacks in dealing with the natives, and might be able to reorganise the machinery of the Government on improved lines. These men, with all the experience and traditions of their great service behind them, would set a standard, and in time New Zealand might evolve a thoroughly competent service of its own.

The *Morning Herald's* correspondent indicates a further reason why the New Zealand administration is meeting with opposition and resentment. At present, the *Herald* says, there is no form of government that would satisfy the natives for long. The trade prosperity that the islanders long enjoyed has now disappeared. A severe fall in the price of their exports, such as cocoa and copra, has helped to embitter the Samoans, although there is every reason to believe that the market for the latter will steadily improve. In addition to the point raised here, an article which appeared in the *Samoan Times* of August 26 touches on the opposition to the administration among white residents, and of a petition of the Faipules

## Samoan Administration

to the King to have the territory placed under the direct control of Great Britain. This article, quoted in the *Evening Post*, makes no secret of the fact that mistakes have been made since the British flag was raised in Samoa ; but it urges that " there should be an end to the policy of obstructive tactics which have been pursued in Apia." The article says :

There is, unfortunately, a disposition amongst a small number of the Apia settlers to embarrass the Administration ; a disposition which has found form in the engineering of a petition from a few natives to have the administration of these islands taken away from New Zealand. Such tactics are deplorable, for it is patent to any unprejudiced observer that so far as the native petition is concerned " the hand is the hand of Esau, but the voice is the voice of Jacob." The petition, we feel certain, will meet with such consideration as it deserves.

Criticism of the general trend of affairs in Samoa goes far to show that at the bottom of the opposition of the whites to New Zealand administration there is the old ill-feeling against the Government that prohibited, in consideration of the welfare of the natives, the sale of alcoholic liquor. At any rate it is certain that, when the Minister of External Affairs, in his recent visit to the islands, expressed a desire to meet those who had complaints to make, his invitation was not accepted. It seems only fair to comment that this is no inconsiderable indication that, to a large extent, the charges against New Zealand's administration are " both extravagant and unfair."

The Minister of External Affairs (the Hon. E. P. Lee), who has just returned from the islands, described the administration as a necessarily small one divided into branches, including Customs, Post Office, Public Health, Finance and Education. As a result of the work of the administration the medical and hospital treatment of the natives had been developed, the water supply improved and the capacity of the freezing works enlarged. The policy of the Government was to safeguard the welfare of

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the people and develop the country's resources. In this connection the plantations which had belonged to German companies or individual Germans had been formed into Crown estates from which it was hoped to produce sufficient funds to pay for the development schemes, including the education system, public works and the medical system. The Minister has studied Samoan conditions first hand, and will therefore be enabled to make enlightened representations regarding any changes to Samoan administration in Parliamentary discussions during the forthcoming session.

### IV. A NEW PARTY

**A** NEW factor is at present working to secure a solid foothold in the politics of the Dominion. "The New Party" (the National Progressive and Moderate Labour Party), under the leadership of Mr. C. E. Statham, M.P. for Dunedin Central, has constructed its platform and is already preparing the way for next year's elections. Executives are being formed in different parts of the country, and Mr. Statham is addressing meetings in the various centres. The National Progressive and Moderate Labour Party, which claims to be composed for the most part of young New Zealanders, takes the late Right Hon. R. J. Seddon as its political ideal, and offers absolute opposition to the extreme Labour Party. It is as yet too early to forecast the possibilities of success for Mr. Statham's party.

### V. THE ARMOUR CASE

**T**HE tendency of the Dominions to deal direct with foreign States was referred to in these pages in the last number of *THE ROUND TABLE*. Interest in the point has been considerably aroused in New Zealand by the discussion surrounding the refusal by the New Zealand Government of a meat export licence to Armour & Co. of

## The Armour Case

Australasia, Ltd. New Zealand has already shown its determination to take the conservative course in foreign affairs, and this policy has been, in effect, strictly adhered to during the discussion which followed the Government's attitude towards Armour & Co.

The refusal of the Government to grant a meat export licence to Armour & Co. was followed by a request from the United States Consul-General for information. This brought forth in reply Sir Francis Bell's first telegram stating that New Zealand's action had been influenced by the United States Federal Trade Commission relating to the dealings of the company with the American Meat Trust; and detailing the reasons and the authority for the Government's action. The telegram made it clear that Armour & Co. were not restricted from exporting to America for American consumption the meat at that time in cold storage, but guarantees were required that that meat should not be reshipped to England. Licence to export meat to London markets was definitely refused. The refusal was based on an enactment of 1918, that every meat exporter must have licence to export, an Act which had intended to obstruct operations in New Zealand of the Meat Trust.

It was not until after the receipt of the Consul-General's detailed reply to Sir Francis Bell's telegram that the question as to the constitutional significance of these communications was raised. The American Consul-General objected to the importance attached by the New Zealand Government to the report of the Federal Trade Commission, described the Government's action as inconsistent, and defended Armour & Co. from the allegation that it was a member of a meat trust. It was indicated, further, that the United States Government resented the refusal of a licence to Armour & Co. as involving "discriminatory action," and stated that Armour & Co. of Australasia was not a branch "or a subsidiary of Armour & Co., of Chicago."

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Sir Francis Bell's reply to this letter, following two days later, on July 8, definitely set forth the whole position from the point of view of New Zealand's limitations in dealing with a foreign State. The acting Prime Minister gave a straightforward statement as to what should be the proper relations between a Dominion Government and the consul of a foreign State. He said that the Government had been prepared to accept the views of the Consular Agent himself, without reference to the United States Government, but when it became obvious that the opinion expressed in the consular letters emanated from Washington, and that the American Government had dictated the request for a reconsideration of the matter under consideration, it was necessary for such matters to be addressed to His Majesty's Government.

The Dominion of New Zealand does not assume authority to communicate directly with the Government of the United States or of any country other than Great Britain, and it is an invariable rule that communications from any foreign country to the Government of New Zealand must be in the form of communications to the Government of Great Britain, which, according to its discretion, communicates with the Government of New Zealand and obtains from the Government material to enable His Majesty's Government to reply to the foreign Government. I desire to refer you to my statement on this subject published in the New Zealand press immediately after our previous communications by telegraph, a printed copy of which I enclose. You will appreciate the distinction between correspondence from and with yourself as American Consular Agent on matters of trade and commerce, and correspondence in which you claim as representative of the American Government to present protests and objections on behalf of that Government against the policy and administration of the New Zealand Government.

Sir Francis Bell was able to make this statement before any complications arose and, indeed, he went further in a later communication when he admitted that he had not been sufficiently cautious in the first place. "I am free to admit," said Sir Francis, "that the present stage of our correspondence would not have been arrived at had I been

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more careful in the first stage." A subsequent intimation from the Consul-General that the Department of State had taken up the matter with the Imperial Government closed an episode, the main significance of which lay in the fact that it fully expressed New Zealand's adherence to the policy of Empire unity and her active determination to avoid any aspirations towards the duties and responsibilities of a sovereign State so long as she is incapable of preserving such a status.

The subject was reopened by the subsequent course of events in London. A message dated July 19 announced the State Department's protest, through Colonel Harvey, to the British Foreign Office, against the New Zealand Government's action with regard to American meat companies. On the same day came the interesting news that Mr. P. D. Armour, one of the heads of the firm of Armour & Co., of Chicago, was doubtful as to where the headquarters of the British Empire were. "When we approach the British Foreign Office or the Colonial Office we are told that New Zealand is a self-governing Dominion. When we approach New Zealand we find a complete absence of diplomatic machinery between us."

In face of the statement made by the Acting Prime Minister quoted above, there can be no doubt that the difficulty stated could really exist. But the mode of procedure by which all communications from the American Government to Wellington are sent through London is as simple as it is long established, and there seems no reason why the usual channels should not be followed now as in the past.

New Zealand. September, 1921.





# THE ROUND TABLE

A QUARTERLY REVIEW OF THE  
POLITICS OF THE BRITISH COMMONWEALTH

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## NOTE

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in all parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE will reflect the current opinions of all parts about Imperial problems, and at the same time present a survey of them as a whole. While no article will be published in the interest of any political party, articles may from time to time be published explaining the standpoint of particular parties or sections of opinion. In such cases, however, the character of the article will be made clear by an introductory note.

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# A PROGRAMME FOR THE BRITISH COMMONWEALTH

*After seven years of struggle with an overwhelming pressure of events, in which decision and action were more important than deliberation and debate, there is a general revival of interest in political discussion. The elements of the post-war situation are becoming clearer, the march of events is slowing down, the world is becoming more stable, and the voice of controversy as to the policy to be pursued, both in home and foreign affairs, is being once more heard in the land.*

*In the following article, therefore, it is proposed to make a survey of the changes which have come about in the imperial and international situation since 1914, and to put forward certain conclusions as to the general objective which the policy of the British Commonwealth should now pursue.*

## I. PRE-WAR EUROPE

**B**EFORE the war the world, and especially Europe, was dominated by fear. The primary object of national policy was security, and the means which it adopted for self-protection was armaments or military alliances, on the principle that safety was only to be found either in such military predominance that nobody else could challenge it, or at least in such a balance of power that enemies or rivals would hesitate to try and gain their ends by force because of the uncertainty that would attend the result.

Thus Europe in 1914 presented the spectacle of a battlefield before action was joined. It was divided into a series

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of great military camps:—German, Russian, Austro-Hungarian, French, Italian, to say nothing of the lesser Balkan camps, each suspicious of the other, each expanding its armaments from time to time so as to make sure that the apparent balance of force was not upset, and each dominated in its diplomacy and its home policy by considerations of what would happen in the event of war.

The causes of this state of affairs were manifold. The people of Europe have never recognised their unity. Even at the height of the power of the Papacy and the Holy Roman Empire, Europe was always divided. Race, language, and variations of *kultur* had proved too strong for the natural forces of unity to overcome.

But there were two larger immediate causes which hastened and then precipitated the crisis. On the one hand was the existence of the great military autocracies, German, Austro-Hungarian and Russian, of which the Hohenzollern was the most aggressive and domineering, always dreaming of extending their authority and power. On the other hand was the suppression of nationality, notably in the case of Poland and of the Czechs, Rumanians, and Southern Slavs in the Hapsburg monarchy.

It was the fear and ambition of the great autocracies on the one side and the constant striving of the spirit of nationality and democracy on the other which steadily drove up the scale of military armaments and intensified political unrest. And it was the attempt of Austria-Hungary, with the support of Berlin, to settle matters in favour of the Central Empires by extinguishing the liberty of Serbia and establishing a domination over the Balkan Peninsula which was the cause of the final outbreak.

Once the crash came, however, people found that it was not Europe alone that was involved but the whole world. Europe, indeed, was the centre of gravity of the earth. It has been the source of most of the political, industrial and commercial originality and enterprise during the preceding centuries. Thus England, despite her desire for

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isolation, found herself drawn in at once, and with her came Canada, Australia, New Zealand, South Africa, India and vast African territories. Japan came next because her history had largely turned upon her resistance to the expansion of Europe, and especially of Russia, over the Far East, and because the common interest of both Japan and Great Britain in resisting Russia and Germany had bound them in an alliance together.

America for a time stood aloof, rejoicing in a sunshine of peace all of her own, preoccupied with the problems of her own development, indifferent to the rest of the world, and unconscious how greatly the steamship, the telegraph and the channels of trade had united mankind. Yet she, too, in two and a half years, was compelled to intervene in the cause of that liberty and democracy on which her own constitution was founded. And after America came China, Brazil and almost all the rest of the Powers who were not kept to neutrality by fear of instant attack.

On the day war broke out a prophecy was made by the Portuguese ambassador in London, that before it was over every Power in the world would be engaged. That prophecy proved to be substantially correct. Before the end the fears and suspicions and ambitions which plunged Europe into chaos had engulfed also the whole of mankind.

Perhaps for this reason, perhaps because of the intensity of the suffering caused by modern fighting, the issues of the war gradually changed. At first the war was fought to restore the independence of Belgium and to prevent the establishment of a Germanic military ascendancy over Europe through the destruction of the French army. With the entry of America, to these ends were added the liberation of nationality and the triumph of democracy, through the destruction of the military empires in Europe. By the end a predominant note in the mind of millions of combatants and civilians all over the world was that the war was one to end war—a struggle to free mankind from its most terrible scourge. And experience of the fearful

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aftermath of war, the widespread economic ruin, the famine, the unemployment, the financial disaster war brings in its train and the impediments it creates in the way of the restoration of normal conditions, have only intensified the conviction that war itself is an enemy which must be destroyed.

Though in the slough of depression and disillusionment in which Europe now sits it is difficult sometimes to realise it, the success of the Allies in securing the ends for which they fought was very great. First, the independence of Belgium and the public law of Europe have been vindicated. Second, the war has liberated nationality in Europe. Though there is much to criticise in the details of the political settlement made at Paris in 1919, every nationality in Europe now has freedom of self-expression, and the process set going in Europe has now spread to Ireland and, as far as their condition of development makes it possible, to India and Egypt also. Third, democracy has triumphed. The great military autocracies have been overthrown and, save in Russia, every government in Europe is now responsible to a manhood electorate, and in some countries to the woman voter as well.

Two other achievements, made at Versailles, ought also to be recorded. On the one hand, conscription has been abolished throughout the length and breadth of Central Europe. That is a tremendous fact—if it can be maintained as a fact—for conscription is the cornerstone of militarism. It trains the youth of a country in military ideas. It gives the State the most extreme powers over the individual. It is the outward and visible symbol of the war spirit, and of the fear and ambition and suspicion which breed war. If conscription can be abolished in all other countries as well, an immense step forward will have been taken towards world unity and peace.

On the other hand, a League of Nations has been set up. Of all the achievements of Paris this was the greatest in conception and the least satisfactory in execution. Its framers recognised that if war was to be prevented in the

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future there must be some machinery whereby nations could learn about one another's needs and points of view, which could focus and create world opinion and lift nations out of their narrow selves, which could undertake or promote mediation or arbitration or conference in the event of international disputes, and which, if need be, could bring force to bear upon lawless or predatory States.

But the League of Nations, like other elements of the peace, has disappointed expectations. Everybody believes in the underlying idea, but few now believe that it can realise the full hopes of its founders. But here, too, as we shall see, the vision of what has actually been accomplished has become clouded by a too intense appreciation of the difficulties and apparent deadlocks which lie just ahead.

### II. THE CURSE OF MILITARISM

**O**N a dispassionate survey, therefore, there is no ground for despondency over the events of the last five years despite the troubles of the time. The root causes of the late war have been cut out, and a beginning has been made to secure better things for the future.

But only a beginning has been made, and there is real danger lest in the reaction which has set in in the last two years not only may no progress be made, but gains may be swept away. Above all, but little has been done to make effective the last of the great purposes of the great war—there must be no next time.

If we look at Europe to-day—and it is still the centre of the world, though to nothing like the extent which it was before 1914—the ground has been cleared of some of the chief causes of the late war, but many of them remain. If nationality is free and military empires have fallen, the suspicion of the new races and States of Europe of one another does not seem to have diminished. The worship of self in the form of nationality or the State seems as strong

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as ever. Europe has not moved at all as yet towards any sense of unity or brotherhood among its peoples.

And there lives in France a large, and at the moment ascendant, party which wishes to turn the Treaties of 1919 into a legal instrument for giving peace and stability to Europe by purely military means. According to this view the future depends upon exacting from Germany the maximum reparations so as to prevent her economic recovery, upon insisting vigorously on her disarmament as prescribed by the Treaty of Versailles, and upon maintaining in perpetuity the allied occupation of the Rhineland on the ground that Germany has not fulfilled the terms of the Treaty to the letter; and the sanction behind this programme is to be a military alliance between France with an army of 660,000, Czecho-Slovakia with an army of 150,000, Poland with an army of 285,000, Rumania with an army of 160,000, Yugo-Slavia with an army of 160,000, all under the command of Marshal Foch, so that in the event of any movement of protest and revolt on the part of the late enemy Powers the alliance can instantly crush them to the ground. And it is M. Poincaré's object to induce the British Commonwealth to underwrite this military European system by making an Anglo-French alliance pledging British military support in the event of any infringement of the Treaty of Versailles by Germany.

Fortunately, the British Government has refused. It is willing to help to exact the maximum reparations from Germany that Germany can pay without ruining herself and Europe. It is insistent that Germany shall comply with the demilitarisation clauses of the Treaty. It has offered France a guarantee that Britain will come to her support with its whole strength in the event of direct and unprovoked German aggression. But further it will not go.

The Poincaré system, indeed, is hopeless. It leads inevitably to fresh war, for it is incredible that a powerful and spirited people like the Germans will be content to remain for ever meekly obeying every flourish of Marshal



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Foch's sword. And it means constant unrest, for every movement of independence must mean a military crisis in order to compel submission under the threat of military penalties.

Further, the system is impracticable. It assumes that the interests of Poland and the Little Entente are the same as those of France. It ignores the recovery of Russia, which will alter the whole balance of Europe. It forgets that the peoples of Europe cannot balance their budgets and recover prosperity unless they cut down their expenditure on armaments to a minimum. It is blind to the fact that the rest of the world vehemently disapproves of a policy which means instability, bad exchanges and poor trade, and that France has practically isolated herself already by pursuing such a policy. It ignores the certainty that British opinion can no more tolerate a French military hegemony over Europe than it could a German or a Napoleonic, with its menace to freedom and democracy everywhere. And, finally, it fails to recognise that the fundamental basis of the plan, the French army, itself is dissolving. France, too—ravaged and depopulated—is not strong enough to maintain such military strength. Already the military system of France pre-supposes that one-third of the army in France shall consist of North Africans—irrespective of Senegalese and Annamites. Yet national and Islamic feeling is steadily spreading through North Africa. Races which cared nothing about the outside world are now, under the stimulus of agitation, talking about the rights and wrongs of Turkey. Hence we see the spectacle of France breaking away from the allies who can really help her in order to make a treaty of friendship with the most merciless and cruel of all our foes in the late war—the Angora Turks—in order that at any cost she may appear as the friend of Islam, and dam, if only for a time, the spread of a propaganda which is bound ere long to undermine the very basis upon which her military policy in Europe rests.

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It requires, indeed, no very prophetic gifts to predict that the Poincaré policy for the future of France, of the Allies, and of Europe, will ere long be dead and buried. And the sooner the better, for so long as it is in the ascendant that natural friendship between France and Britain—so strengthened in the war, so necessary to the peace and progress of Europe—cannot be restored.

But if the Poincaré system is to fail, what is to be set up in its place? Are we to return to the balance of power? That also, though less evil than an attempted peace through military ascendancy, must lead to eventual war. We know that the balance of forces based upon competitive armaments did not prevent war in 1914. It may be well, however, to examine a little more closely the manner of the outbreak, for it has great lessons for the future.

As every Continental Power under the pre-war system of the balance of power became more highly organised for war, as the whole of every nation was conscribed and put in training down to the last button and the last man, time became an increasingly important factor. Military numbers ceased to be the most important thing. The army which could mobilise quickest and strike an effective blow first would win the war, because it would destroy its opponent's capacity to fight before it was ready for action.

Thus it was, as was pointed out in this review in 1915, that the terrible time-table of the European General Staffs had far more to do with the actual outbreak of the world war than the deliberate decision of any man or Government. Europe had become an armed camp under the impulse of German ambition. The crisis was precipitated by the decision of the Cabinets of Vienna and Berlin to take the opportunity afforded by the assassination of Franz Ferdinand to attempt by means of a 48-hour ultimatum to win a diplomatic victory which would mean the establishment of an Austro-German hegemony over Serbia and the Balkans. But it is almost certain that no one, politician or general, deliberately decided to start the world war.

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It was the military time-table itself which swept them, like everybody else, headlong into the struggle once the first button had been pressed.

This was the march of events.

At the same time that the ultimatum was presented in Belgrade the Austro-Hungarian Government ordered the mobilisation of the southern part of the Austrian army in order to prove that they meant business in their ultimatum, and would, if necessary, enforce it by occupying Belgrade. No sooner did the Austro-Hungarian army mobilise than the Russian General Staff went to the Tsar and pointed out that if Austria-Hungary were allowed a start and a general war grew out of the crisis Russia would start at an immense disadvantage. They insisted, therefore, that there must be a preliminary mobilisation of the southern section of the Russian army as a parallel move. Immediately there was the utmost excitement in Berlin. If the Russian army were allowed to mobilise what would happen to the German plan for victory in the event of war? That plan depended entirely upon the capacity of the German army to mobilise a few days faster than the French, and upon its being able to crush the French army before the Russians could take the field in strength.

Hence the frantic telegrams of the Kaiser to the Tsar imploring, almost commanding, him to give orders cancelling the mobilisation. For he knew, and his advisers knew, that if that mobilisation continued they would be faced with the alternative between immediate war according to plan and allowing a situation to develop which in their judgment meant certain failure for Germany in a general war. But the Tsar would not countermand unless Austria-Hungary countermanded. And for Vienna to countermand mobilisation meant an abject humiliation for the Central Powers far worse than that of Agadir. And so while telegrams flashed and Sir Edward Grey's proposal for conference was on the wires the fateful minutes passed, one after another the nations mobilised, the situation

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drifted steadily out of control, until finally the German General Staff insisted on marching through Belgium as the alternative to defeat, and Europe stumbled blindly into a war which killed 10,000,000 men, wounded 30,000,000, and ruined in one way or another as many more, without anybody deliberately setting fire to the train.

And this is the situation which must always arise where national security is based upon competitive armaments. A time will inevitably come when the deliberations of diplomats and statesmen will be rudely broken into by considerations of military necessity and nations will be rushed headlong into war, whether they want it or not.

### III. LAW AMONG NATIONS

**I**F there is no road to peace, security and economic reconstruction either by way of the permanent military hegemony of the Western Allies, or by way of competitive armaments and the balance of power, what road is there towards the goal of permanent peace ?

The answer has been supplied in part by the Washington Conference. It is the road which begins with the limitation of armaments on an agreed ratio, and periodic conferences for the discussion of international problems and disputes by the parties thereto.

The best security for nations is a universal limitation of armaments. Then, and then only, can they be said to be secure from the danger of the loss of national liberty. The alternative to force as the arbiter of international problems is reason, goodwill and arbitration—a fairer and more lasting judge.

The Washington Conference has solved certain very dangerous problems on these lines. It has put an end to the competition in armaments between the British Empire and the United States, and between the United States and

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Japan. Force having been relegated to the second place, the Anglo-Japanese Alliance—a military alliance very menacing to Anglo-American relations—has been replaced by a four-Power pact ensuring the security of all the parties from aggression either from one another or from other Powers. And finally, a beginning has been made with the settlement of the formidable problem of the Far East. The dominance of China by foreigners has been abolished. Shantung has been returned to China, and if China shows any internal capacity for reform and administration, she has a clear road of progress before her.

Thus one great war cloud which lowered over the world has been dispelled by conference and agreement. Is there any reason why the other cloud—the European cloud—should not be dispelled by the same means ?

The only hope for Europe is that its peoples should recognise that their future lies in the prosperity of Europe as a whole and in goodwill, fraternity and co-operation between themselves, and not in savage hatreds and fears, and that they should reduce their armaments to the minimum necessary for internal order. The road to this goal is clear. There are certain essential conditions. Germany, for instance, must voluntarily assume full liability for making the utmost reparation she can for devastation caused, and give real security for performance. Russia must come back into the comity of nations and abide by the ordinary canons of peaceful international intercourse. And all the peoples of Europe, and especially Germany and the ex-enemy Powers, must voluntarily accept the political settlement of Europe of 1919 as contained in the treaties as final, in the sense that they will none of them attempt to upset it by force, but will rely upon securing such modifications as may prove to be just by way of reason and argument in European conferences. Once that basis is reached, the Allies can lay aside the sword and substitute an agreed limitation of armaments by land and round table conferences, with no soldiers present, for their

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present military predominance as the basis of the European system.

For it is a delusion to think that force can be discarded altogether. If we reject military hegemony and the balance of power as the basis of the European policy, it is only in order to put reason and goodwill in the front rank and force in the second. We saw in the Great War at what cost and by what methods liberty and justice were preserved. So now the substitution of conference and limitation of armaments for the balance of power will only be effective if the Powers that support that method are willing not only to try it themselves, but are prepared to insist that it shall be tried and to deal with predatory and lawless Powers which try to gain their own ends by force. If there is to be peace on earth, it will only be because law prevails alike over anarchy or the arbitrary will of military power, and between nations as between individuals law will be maintained only if there are enough nations or citizens not only to meet together to formulate it but to insist on its being respected, or altered by constitutional means, if need be, as in 1914, by the use of force. There is no real law governing nations to-day ; but insistence on conferences and limited armaments in substitution for the mere diplomacy of force is the first step towards the formulation of world law, and so of world peace.

The road to this goal may prove to be a long one. The passions and hatreds of centuries may not evaporate in a year or even a decade. But a beginning has been made in the summoning of the Genoa Conference, and once the spell of the past has been broken and the nations of Europe have begun to take counsel together and have discovered how inseparably their own prosperity is bound up with the prosperity of their neighbours, the reign of law among nations may come quicker than any of us now think possible.

# The League of Nations

## IV. THE LEAGUE OF NATIONS

**T**HIS brings us up at once against the question of the League of Nations. What part ought it to play?

Certain things are already clear. The League of Nations cannot do all the work sometimes expected of it. A great deal of international business, perhaps the greater part, for the present, must be done in conferences of lesser dimensions. It would have been impossible to have made the Pacific settlement if it had been held at Geneva. The procedure would have been too elaborate and the number of persons present would have been too great. The Washington Conference was a success because it was a business gathering attended only by the parties directly concerned, and convened for the settlement of certain definite questions.

Similarly the League of Nations is really inappropriate for the settlement of purely European questions. The fundamental reason for the refusal of the United States to join it has been its reluctance to remain entangled in the internal problems of Europe. It is just the same with other non-European states. Directly any question of obligation or responsibility is involved they will one and all refuse to have anything to do with the problems of Europe. The reverse is no less true. Europe will certainly not allow its affairs to be settled by American or Asiatic powers who take no responsibility for the consequences. Even in the case of the Silesian award—which was as nearly a case of a judicial award as is likely to arise in a matter of real political importance—feeling arose against the decision being given by Brazilian and Chinese representatives having no sort of responsibility for the consequences of their judgments.

The truth is that the League of Nations is designed as a world association, and is only suited for the consideration of business which affects all the world. The most pressing international problems of the day, on the other hand, are

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those that chiefly concern special regions, like Europe, the Pacific, and so on. For the adjustment of such difficulties the machinery of the League of Nations is inappropriate. It is too elaborate, too inflexible, too legal. The Assembly is a crowd of delegates wherein the vote of an irresponsible little Power is as valuable as that of a great nation like the United States, perfectly satisfactory if the League is regarded as a sounding-board for world affairs, utterly unsuited for the transaction of practical business. The Council, too, is tied by legal procedure. It is composed of representatives of the five great Powers, France, the British Empire, the United States, Italy and Japan, one of whom, the United States, has never taken up membership, and of representatives of four lesser Powers, Belgium, China, Brazil and Greece, who can take no real responsibility for anything done by the Council. Yet, in all important matters, the Council can only act by unanimity, which means that not only any great Power, but any of the little Powers, can paralyse its action by dissent.

The situation has been well shown up in the antagonism which has existed for the last two years between the League of Nations and the Supreme Council. The Supreme Council has been the really effective body in Europe. It has been the Supreme Council which has succeeded in forcing Germany to disarm and to make reparation payments. It has been the Supreme Council which has kept France from marching into the Ruhr, and giving the final touch to the economic ruin of Europe. It has been the Supreme Council which took the steps which helped Poland to roll back the tide of the Bolshevik invasion in 1920. None of these things could have been done, or ought to have been done, by the League of Nations.

The Supreme Council has been effective because it consists of the heads of the Western Allied nations, who know what their several countries are willing to do and could give orders as responsible heads of their Governments, and because it was able to meet at short notice without



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formalities and to act without requiring the legal consent of uninterested members. The defect of the Supreme Council has been that it has represented only the Western Allies, and that it has hitherto been mainly an instrument for the execution of the Treaties of Versailles, St. Germain, etc. But the tendency for it to develop, not into the League of Nations, but into a Pan-European Conference, representative of all the European Powers, is clearly indicated by the decision to summon the Genoa Conference, at which all the European Powers are to sit round a common table and deliberate about their common problems without the interference or intervention of non-European Powers. The reported refusal of the United States to attend a Conference for purely European business, while blessing the idea, is perfectly sound. The task of the settlement of Europe could not have been undertaken by the Supreme Council because it consisted only of the representatives of the victorious Powers. It could not have been undertaken by the League of Nations because it consisted largely of non-European Powers. Like the solution of the Pacific problem, it can only be achieved by those directly concerned dealing directly with one another.

It is clear that the League of Nations cannot deal with many of the international problems of these regional areas. It cannot, for instance, deal directly with the problems of the Pacific, for the Pacific question has been settled for the moment, and under the treaties which have settled it it is the signatory Powers to the various treaties, and not the League of Nations, which will take counsel together. It is equally clear that the League of Nations is not going to deal with all the problems of Europe. America will not join it if it does. Nor, in fact, will Russia or Germany. European problems will have to be dealt with by European, not world, conferences. Nor can the League of Nations deal with Pan-American problems. Much as the South American states dislike the Monroe doctrine because it seems to imply the ascendancy of the United States, they

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will resent as strongly as the United States itself intervention in American affairs by any non-American state.

And, finally, there is another great area which will settle its affairs without the League of Nations, and that is the British Commonwealth! It covers more than a quarter of the earth's surface and contains more than a quarter of the earth's people. Yet it is a single Commonwealth, and has a machinery of its own for dealing with the relations and problems of the many nations and races and civilisations which compose it.

This does not mean that the League of Nations is not a great and valuable institution. On the contrary, it is of the utmost value that there should be a body which can really give voice to world opinion, which can deal with questions which are really world questions, which can assume responsibility for the execution of world services, and which can gradually define world law and support a world judiciary. There is, in the first place, the question of war, for war anywhere affects all other nations and is a matter of universal concern. Then there are questions like armaments, the use of the high seas, colour problems, the treatment of backward peoples or minorities, all world questions which must all be looked at from a world point of view, even if they also have a local interest which, for the moment, is an intenser interest. Then there are matters like the control of straits such as the Dardanelles, of disputed territories such as Smyrna, or the exercise of international Red Cross or postal or wireless functions, where the only solution on which regional Powers can agree is that it should be dealt with by a universal body in a non-controversial and impartial manner. Further, the League of Nations ought to be the body which ought to summon these regional conferences of Powers directly concerned with special problems. The League of Nations ought to be the only statutory international body, facilitating international business and agreement, but not, at this

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stage, attempting to carry responsibility itself for the more controversial international problems.

It seems clear, therefore, that for the peaceful adjustment of world affairs two different processes are necessary. First, regional *ad hoc* conferences, which will adjust the affairs of areas like Europe, or Pan-America, or the Pacific, and consisting only of the Powers directly concerned. Such conferences ought to be called by the League of Nations, though they should not be meetings of the League. And, secondly, the League of Nations, relieved of its local functions, ought to become avowedly a world organisation. For this purpose, deliberative rather than executive, its constitution is well adapted. And it is only by disinteresting itself in local tangles and quarrels and restoring its purely world character that all the great Powers, notably the United States, Germany and Russia, will join it.

### V. THE BRITISH COMMONWEALTH

**W**HAT is the part to be played by the British Commonwealth in this process of development towards lasting peace? That its part must be great is certain. Not only are the nations of the Commonwealth strong and vigorous members of the League of Nations, they will inevitably be represented in every regional conference throughout the world. Wherever we look the British Commonwealth is a factor in every continent and in every ocean in the world. Its influence, therefore, is bound to be immense. The question is, shall that influence be cast steadily and understandingly on the side of peace, unity, order and progress, or is it going to be nugatory, vacillating, animated by no steady guiding and constructive idea?

That will depend fundamentally upon the success of its peoples in handling their own internal problem. Example is an infinitely more potent force in the world than precept, and the question of whether the world is to move towards

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unity and peace or is to sink back to anarchy and war will depend fundamentally upon whether the people of the British Empire show that there is a way of creating a world-wide commonwealth containing many nations, many races, many colours, many degrees of civilisation, and yet united, well governed and making steady progress in prosperity, law and peace.

Since 1914 the problem of the British Commonwealth has greatly changed. The experience of the war and the recent meetings of the Imperial Conference have brought out clearly that the Empire is in fact both an association of equal nations and an Empire in the old-fashioned sense, that its more civilised members are responsible for the government and training in self-government of peoples not yet able to govern themselves under modern conditions.

The policy of the Empire in external affairs is now recognised to be a matter for all its self-governing peoples, and if the execution of that policy is still left in the hands of Great Britain, the British Foreign Office recognises that the policy it must pursue must be one which has the support not of the people of Great Britain alone but of the Dominions as well. On the other hand, the Dominions now recognise that if their voice is to be effective in time to come they must bear their share of the burden of responsibility for the policy, whether by way of provision of armaments, of finance, or in other ways. For the moment the questions implicit in the Imperial Conference system have not come to the surface. There is no great international danger except that of anarchy. The world is principally engaged in the task of internal reconstruction. Accordingly the problem of creating the machinery for formulating a common policy for a commonwealth of nations scattered over the globe and for supplying the force and instruments necessary to its execution is not at the moment uppermost.

But there has been another great change in the position of the British Commonwealth, and that is in its relation to the

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United States. It is not too much to say that if the British Commonwealth is to survive, and if the world is to be guided towards unity and peace, it is essential that the United States and the British Commonwealth should act in friendly co-operation. On the first point it is only necessary to consider the position of Canada. It is a condition necessary to the existence of the Empire that Canada should remain in friendly relations both with Great Britain and with the United States. Look at what happens if there is a real rupture between Britain and the United States. If Canada quarrels with the United States, what would be the position of a nation of 8,000,000 against one of 100,000,000 with a frontier 3,000 miles long? If she quarrels with Great Britain, is it not inevitable that the drift towards the United States, now counterbalanced by Canada's interest in and great sacrifices for a world-wide Commonwealth, would then become irresistible? Canada's greatest rôle is, by retaining an intense national individuality of her own, to act as link and interpreter between the two greatest English-speaking Powers. And that rôle is only possible if, as at the Washington Conference, Canada helps to induce Britain and the United States to walk hand in hand. An Anglo-American quarrel means the disruption of the British Commonwealth.

There is, however, an even larger consideration. The naval pact signed at Washington has really started a new era in international affairs. Sea supremacy is now exercised jointly by the British Empire and the United States. Together they have ten units of naval power as against six or seven owned by the rest of the world. Thus the dominion of the sea, with the tremendous issues it carries for the future of mankind, is now vested in the peoples of the English-speaking world. So long as they can co-operate in its exercise and see eye to eye about the purposes for which it is to be used, civilisation and liberty are safe. If they disagree, both are endangered. If they quarrel and fight, both are doomed. What is more, the British

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Commonwealth itself is doomed, for the United States, with an equal naval power, and infinitely greater resources, would be able to cut Britain's communications with the rest of the Empire.

The problem; therefore, of working out the basis for a common policy in the world's affairs between the British Commonwealth and the United States is now no less important than that of finding the proper method for concerting policy and action between the self-governing nations of the Empire itself.

There is, however, yet another problem to be solved, and that is the problem of reconciling law and order with democratic progress within that part of the Empire which is not yet self-governing. The effect of liberal teaching during the last fifty years, immensely intensified by the ideals for which we fought and which triumphed in the war, has made the problem of the government of the non-self-governing parts of the Empire much more difficult. The sense of nationality, the ideals of responsible government are too conscious and too universal in the world to make it possible to go back to the old benevolent autocracy of pre-war days. Nor would it be desirable, for it is the task of the British Commonwealth not merely to create the conditions in which the individual can live and work in safety through the maintenance of the Pax Britannica, but also to train educated and self-controlled citizens capable of governing themselves.

It has been in accordance with this principle that the constructive-minded have long demanded Home Rule for Ireland, and that the Montagu-Chelmsford Reforms have recently been inaugurated in India—giving partial responsibility to the elected representatives of its peoples at once, and a straight road towards complete self-government if they show themselves capable of discharging that responsibility.

At the moment, however, a wave of anarchy is sweeping over the Empire. Though it marches under many banners,

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nationalism, religious idealism, "Swaraj" and so forth, its effect is the same. It is fundamentally subversive of government, of law, of liberty, of personal rights and property. Its champions are masters in the phraseology of revolt and in the arts of destruction. Up to the present they have shown no signs of constructive capacity for government or administration. Even Southern Ireland, long civilised, is hovering on the brink of internal anarchy or a tyranny by the gunmen, which are the alternatives to effective execution of the Treaty. It is still an open question whether the provisional Government will obtain sufficient support to enable it to enforce its authority and make itself master in its own house, which is the only road to either Irish unity or Anglo-Irish peace, or whether it will drift into a quarrel with Ulster, and with its best friend, the British Government.

The wave is still stronger in India, where Gandhi and the Mohammedan extremists are seducing or terrorising those who stand for constitutional progress and are preaching doctrines which, if given scope, will have the same effect in India as the Bolshevik doctrines have had in Russia—with this difference: in Russia, Lenin and Trotsky were able to establish a strong governmental machine, for they were capable if fanatical men, while in India, which is twice as populous and divided in race, language and religion, there would be no government at all, and war and famine and rapine would stalk unchecked through the land. This movement exists also in Egypt and other territories, whether formally incorporated in the British Commonwealth or not, for whose government we are responsible.

This is the greatest problem which confronts the British Commonwealth at the present time and it is the most difficult. Merely to attempt to restore the old régime of British rule by repression would be to provoke an intenser revolution a few years hence, for national feeling and the desire for self-government are too strong and too healthy to

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be repressed. On the other hand, to surrender to irresponsible and fanatical movements would be not only to betray millions of ignorant peasants to suffering and death, but would bring ruin on countless outside communities, notably Lancashire, which depend upon Indian trade.

The key to the solution is to abide by the principle of constitutional responsibility which we set forth in the Indian constitution. We have no desire to govern India for our own ends. We are committed to the policy of transforming India into a self-governing Dominion just as quickly as she can demonstrate her capacity for self-government. But somebody must be responsible for the maintenance of the rule of law and the protection of life and property. If there are Indians who are willing to and reasonably capable of taking that responsibility on their own shoulders under constitutional forms and in manageable areas, we ought to allow them to take it—on the clear understanding that if they fail we shall have to take it back. On no account ought we to surrender power to anarchical and fanatical movements under whatever guise they present themselves, for that is the road not to Indian freedom and democracy, but to ruin alike for the Indian peoples and for many outside peoples as well.

The world is still suffering from an excessive worship of phrases like self-determination, race equality, and so forth. These, indeed, are great and enduring ideas. But the test of their application is works, not words. Nothing does more harm than vain pride of race. But the delusion that all races and nations are equal is hardly less harmful. The real test of national capacity is not oratory or the history of the past, but present capacity to conduct an orderly government in which a sane public opinion rules, law is obeyed, and the rights of the individual are effectively secured. That is the real test of national capacity, and it is by that test and no other that the status of peoples both within and without the British Commonwealth ought to be judged.



## The British Commonwealth

The task before the British Commonwealth, therefore, is gigantic. It is fourfold. First, to solve the problem of reconciling nationalism and the desire for self-government with the maintenance of constitutional government, law and Imperial unity, in Ireland, India, Egypt, etc., and that in the face of racial and religious fanaticism. Second, to work out machinery whereby the self-governing communities of the Empire can combine effectively in the formulation and execution of a commonwealth policy. Third, to find the basis and the means whereby the United States and the British Commonwealth can co-operate in the discharge of their common responsibility as the joint possessors of the supremacy by sea once held by Britain alone and in pursuing a common world policy. And, fourth, to bring about, in co-operation with the United States, France, Italy and other progressive Powers, a universal limitation of armaments and a system of international conferences, with a League of all nations at the summit, which will help to resolve international problems by mediation, discussion in public, or arbitration, and so pave the way towards the realisation of that greatest objective of the Great War—the ending of international war, through the establishment of world law.

This is certainly no mean programme, especially for a people struggling with economic adversity, beset by unemployment, and in the throes of a great readjustment of the relations between Capital and Labour, employer and employed. It is a task worthy of a great nation, and in the accomplishment of it is alone to be found the solution even of these economic problems also.

But in the performing of it we have one supreme advantage. Of all the peoples on the globe the self-governing peoples of the British Commonwealth have retained most clearly a grasp upon the underlying principle upon which a commonwealth rests. Alone they have resisted the disintegrating force both of democracy and of nationality while absorbing their creative and liberating strength.

## A Programme for the British Commonwealth

Alone they have kept in being a world-wide empire with no other bond than loyalty to one another and to the ideals for which it stands. And the strength and power of this commonwealth mind has never been more clearly shown than by the manner in which it drew men and money in steadily increasing numbers from Canada, Australia, and South Africa—communities thousands of miles away—to fight in Flanders till the battle for liberty was won.

The great war, that great testing time, gave the final proof of the superiority of the commonwealth over the co-operative mind. The one idea is represented in one form by the British Commonwealth, and in another but no less effective form by the American Commonwealth. The other idea is symbolised in the League of Nations. The two ideas ought never to come in conflict. They are stages in the progress away from international autocracy or international anarchy. The League can help the commonwealth and the commonwealth the League. But in the end, if peace and unity are to be lasting on earth, the principle of the Commonwealth must prevail, for it is only through the tolerance, the self-sacrifice, the resolution that obedience to principle gives, that the reign of law—the only safeguard of freedom and peace—can be established among men.

## CANNES, GENOA AND ECONOMIC REVIVAL

THE historian may find it difficult to write adequately of the political and economic activities of the European peoples in the last three years except in terms of the cinema. Indeed, the best history of these days may in the end be compiled by some autocrat of the film who has the imagination to see how admirably the material is suited to the technique of his art. Movement, purposeless perhaps, but unceasing, the scorn of equilibrium, the seeming defiance of natural laws, the mock heroics, the virtuosity in expedients, and over all the air of unreality and of the individual turned machine—all that is the essence of the one world has been the mark of the other. Is it possible to find indications that the end of this unhappy parallelism is in sight? Is Europe at length descending from the screen to earth?

Movement and change, indeed, continue. But in the last three months new forces have come into play, others, already perceptible, have gained strength. Of the former the most powerful has been the reactions in the Old World of the Washington Conference. The Conference has had a profound influence, not only through the positive good which it has accomplished, but for the manner of the accomplishment.\* It has shown to a Europe grown weary and disillusioned and cynical that nationalism is not all,

\* The spirit of the Conference and the line taken at its discussions followed closely the hopes formed at the Imperial Conference in July.

## Cannes, Genoa and Economic Revival

that there is still a sense of community of interest and purpose, as between nations, strong enough, if rightly directed and applied to immediate practical problems, to ensure common action. It has shown, too, that the possibility of disarmament cannot be put aside as a fiction of the visionary and the idealist, and that America is not, as too many of her friends in Europe had believed, absorbed wholly in herself and dead to the needs of a distracted world. The Conference has achieved definite and valuable results because its meetings have been held in an atmosphere in which intrigue and the driving of bargains and the opportunist exploitation of one nation's need for another's benefit could not flourish. By putting all his cards on the table, Mr. Hughes made it difficult for any other delegation to keep theirs up their sleeve. Argument and compromise there has obviously been, and just as obviously must always be at any Conference, since the mere summoning of a Conference implies that the members hold divergent views and wish to reconcile them. But Washington has reminded the world that argument can be conducted without either acrimony or insincerity, and that not all compromise is dishonourable.

The success of Washington, as an influence prompting a new outlook in European affairs, has been reinforced by the pressure of economic and financial problems which grow daily more urgent and more intricate. The close of the year found the United Kingdom with two million unemployed, and her great industries, the foundation of national prosperity, idle or producing fitfully, at a fraction of their ordinary capacity, goods to be sold at something less than cost. Over Russia lay the shadow of famine and the dissolution of the last primitive forms of organised life. Chaotic exchanges, progressive inflation of the currency, unbalanced and unbalanceable budgets—all this was common to Central Europe. Only in Germany was there even the appearance of prosperity; feverish activity in production for the home market, and to a much smaller

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extent for export, banished unemployment and concealed from the casual observer the foundations of sand on which the whole structure rested—government by compromise, disordered finance, the universal dominion of speculation in the room of thrift, the chronic instability of all values, the sacrifice of the workers and still more of the intelligentsia to the gambler and the profiteer. Is it surprising that men have begun to connect the sickness of Europe with the policy of Governments and peoples since the Armistice, with national intolerance, reckless finance, the disregard of economic needs, and to look to a change in policy for the only remedy? It is, perhaps, a depressing reflection that hunger has done more in the last few months to restore the sense of a common European civilisation and to dictate the imperative duty of co-operation than all the speeches on the brotherhood of man have accomplished in three years; but it would be a true reflection.

From the new movement which we have described France unfortunately holds aloof: she stands to-day in politics, not for the first time in her history, outside the broad stream of the world's thought. The slow drift towards isolation has in the end been hastened by a squall. Her relations with Great Britain have passed from the Entente, through the alliance of the war years and the pretence of complete agreement which followed the Peace, almost to open estrangement in policy. On the vital questions of the day—Near Eastern policy, the treatment of Germany, reparations, the restoration of European trade—not only is there no agreement, but a direct conflict of views and policy. With Italy France is out of sympathy. Most ominous sign of all, both for herself and for all Europe, France has earned the distrust of the American Government and people, by the attitude of her representatives at Washington and the blindness of their diplomatic methods. We are not concerned for the moment to analyse the causes of French isolation or to enquire how far it must be ascribed to weaknesses of national temper or to errors

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of political judgment in France, how far to external provocation. We merely record the fact as being present now, though it was not present three months ago.

Before we examine the probable influence on European revival of the three general tendencies to which we have drawn attention, it may be well to trace very briefly the course of events in Europe since the December number of *THE ROUND TABLE* went to press.

### I. CANNES

**M**BRIAND returned from Washington in December, and before Christmas he came to London to meet Mr. Lloyd George. There was no lack of subjects for discussion. Apart from the startling claim advanced by France at Washington for a big navy and the difficulties created in the Near East by the separate French treaty with the Kemalist Turks, there was the eternal question of reparations. The German Government had notified the Reparations Commission of their inability to pay the instalments of £25,000,000 due on January 15 and £15,000,000 due on February 15. Their negotiations in London for a short term loan had failed; and, with the mark at 900, it was idle to think of raising such amounts by selling marks abroad. On this issue the Prime Minister and M. Briand soon came to an agreement. Subject to the confirmation of the Supreme Council, at a meeting to be held at Cannes on January 6, they decided that the payments to be made by Germany in 1922 should be reduced to £36,000,000 in cash, and that there should be deliveries in kind to twice that value. Great Britain was to receive no part of the cash payments—i.e., 22 per cent. of the whole German payments of the year was to be given up. If any attempt to attain a final settlement was ruled out as for the time being impracticable, this arrangement was, no doubt, as good as any other, although it is doubtful whether Germany could pay in 1922 the amounts claimed.

## Cannes

From reparations the Prime Ministers passed to the wider problem of the reconstruction of Central and Eastern Europe. They approved a scheme—or rather, the skeleton of a scheme—for the formation of an international syndicate which would finance reconstruction work, and particularly restore the transport system of the derelict and semi-derelict states of Eastern Europe. A number of bankers and representatives of industry in the two countries were summoned to meet in Paris and help the representatives of the two Governments to settle the details. Subsequent discussion between the experts has shown that the whole problem lies in the details. What is to be the capital of the syndicate, in what currency and on what terms as to remuneration shall it be subscribed, shall there be one syndicate or half a dozen, on what principles is the work to be divided between the members, in what form and on what security will deferred payment for work done be allowed—the answer to such questions as these is the essence of the scheme, and for the most part they remain unanswered. The syndicate idea is to be probed further at Genoa, but it no longer wears a shining morning face.

Mr. Lloyd George went to Cannes with the intention that it should mark the beginning of a new epoch in European affairs. The imperative need of reopening the markets of the Continent to British trade, the natural desire to follow up Washington, above all the fundamental necessity of bringing together the Powers of Europe, ex-enemy and neutral as well as Allied, in a common endeavour to restore the fabric of European welfare—all conspired to strengthen his determination that this should be no ordinary meeting of the Supreme Council. The Council in the past had always met in a crisis, with an immediate problem calling for solution overnight. It had made decisions, some good, others bad, most of them compromises; but even when it did no more than put an end to one crisis by a "settlement" which was bound to lead to another, it was at least meeting an immediate need which no other body

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could have met. Here, however, there seemed to be an opportunity of diverting its activities into a more fruitful path. The Prime Minister, therefore, made it his first business at Cannes to move the following resolution, which was unanimously adopted :—

The Allied Powers in conference are unanimously of opinion that an Economic and Financial Conference should be summoned in February or early March to which all the Powers of Europe, including Germany, Russia, Austria, Hungary and Bulgaria, should be invited to send representatives. They regard such a conference as an urgent and essential step towards the economic reconstruction of Central and Eastern Europe, and they are strongly of opinion that the Prime Ministers of every nation should, if possible, attend it in person in order that action may be taken as promptly as possible upon its recommendations.

The Allied Powers consider that the resumption of international trade throughout Europe and the development of the resources of all countries are necessary to increase the volume of productive employment and to relieve the widespread suffering of the European peoples. A united effort by the stronger Powers is necessary to remedy the paralysis of the European system. This effort must include the removal of all obstacles in the way of trade, the provision of substantial credits for the weaker countries, and the co-operation of all nations in the restoration of normal prosperity.

The Allied Powers consider that the fundamental conditions upon which alone this effort can be made with hope of success may be broadly stated as follows :—

(1) Nations can claim no right to dictate to each other regarding the principles on which they are to regulate their system of ownership, internal economy and government. It is for every nation to choose for itself the system which it prefers in this respect.

(2) Before, however, foreign capital can be made available to assist a country, foreign investors must be assured that their property and their rights will be respected, and the fruits of their enterprise secured to them.

(3) The sense of security cannot be re-established unless the Governments of countries desiring foreign credit freely undertake—

(a) That they will recognise all public debts and obligations which have been or may be undertaken or guaranteed by the State, by municipalities, or by other public bodies, as well as the obligation to restore or compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld.



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(b) That they will establish a legal and judicial system which sanctions and enforces commercial and other contracts with impartiality.

(4) An adequate means of exchange must be available, and, generally, there must be financial and currency conditions which offer sufficient security for trade.

(5) All nations should undertake to refrain from propaganda subversive of order and the established political system in other countries than their own.

(6) All countries should join in an undertaking to refrain from aggression against their neighbours.

If in order to secure the conditions necessary for the development of trade in Russia, the Russian Government demands official recognition, the Allied Powers will be prepared to accord such recognition only if the Russian Government accepts the foregoing stipulations.

The Council subsequently decided that the Conference should meet at Genoa on March 8.

To have gained French support for this resolution was rightly—though, as the event proved, prematurely—regarded as a triumph. But the Prime Minister went further: though not willing to give France a military alliance of the character suggested by her representatives, he offered her a treaty or—as it has come to be called, a pact—under which Great Britain would guarantee France against unprovoked invasion of her soil for a period of ten years.\* In one sense this was only the fulfilment of an implied obligation, since a similar guarantee was given in the Anglo-American Treaty which was made at Versailles, but has lapsed through the failure of the United States Senate to ratify it. But the revival of the offer meant more than the admission of a debt of honour. Though it was made unconditionally and not in the spirit of a bargain, it was none the less a bid to obtain French support in a common policy of international co-operation. France needs, and claims, first and last, security. For her the menace of German aggression has murdered sleep. Neither disarmament nor democracy in Germany weighs in the

\* The Articles of the Pact offered to France will be found in the Appendix, together with a Memorandum which accompanied the pact.

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French mind against the permanent difference of twenty-five millions in population. A British Government can offer security, though it may find difficulty in believing in the reality of the danger ; but in the long run no British Government can carry its democracies with it in a guarantee to France unless the two countries are animated by a common purpose in their international policy. Peace and the revival of European trade are the predominant interests of Great Britain to-day ; but they are more than that, they are the predominant interests of all Europe—indeed of the whole world. Though they may not be an immediate they are an ultimate necessity, even to France. Why, then, should France not follow the one course by which any permanent sense of security can be given to her ?

The actual arguments by which the offer to M. Briand was accompanied will be found, however, in a memorandum which is set out in the appendix. But the mere rumour of these discussions, following the publication of the Genoa resolution, was sufficient to hurl him from the saddle. He had for some time been clinging to a precarious seat ; and he had left Paris for Cannes pledged to resist any modification whatever of the Versailles Treaty. The news from the Supreme Council brought matters to a head. It split the French Cabinet and a crisis in Parliament was inevitable. M. Poincaré was at this time Chairman of the Senate Committee on Foreign Affairs. M. Briand was summoned to Paris, patched up his differences with his colleagues, and faced the Chamber, only to be received with that compound of cool contempt and derisive jeers appropriate to the vanquished gladiator. He left his speech unfinished, announced his resignation, and withdrew without a vote. M. Poincaré reigns in his stead.

Tidings of these startling events reached the Supreme Council in the middle of a speech by the German delegates, who had been sent for to expound the views of their Government on reparations. It was obvious that, with France unrepresented, it would be useless to confirm the

## French Policy

London agreement or take any decision not purely provisional. So it was decided to call on Germany to pay £1,550,000 every ten days until further notice, and to submit before the end of January proposals for balancing her budget, and a programme of payments on account of reparations in 1922 and 1923. With that the meeting broke up.

### II. FRENCH POLICY

**W**HAT is likely to be the foreign policy of France under the new regime, her relations with Great Britain and with Germany, her attitude towards the restoration of European economic life? Some attempt to answer this question must precede any estimate of the prospects of the Genoa Conference or of economic revival, even though any present answer can only be provisional. "There are many events in the womb of time which will be delivered"; and M. Poincaré has held office less than a month. But, in broad outline at least, his policy in the near future is hardly in doubt.

He stands, in the first place, for the maintenance inviolate of the Treaty of Versailles. There are to be no concessions, because Europe does not really need them and France cannot afford to make any. Germany can pay the bill for reparations, and must pay it: her prosperity is not an illusion; and in any case, if she defaults, what becomes of the French budget? Germany will not pay unless she is made to; the German mind does not now understand, and never has understood, any argument but force. The German people are already nursing their revenge, and only force, applied in one form or another on every German failure to meet a Treaty obligation, and the permanent demonstration of French military superiority will give France peace. M. Poincaré no longer believes in the occupation of the Ruhr area as a means of enforcing repara-

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tions payments : he has other methods, such as a Commission of the German Debt and Allied control of the revenue departments of German administration. These views are accepted by the present French Parliament ; and although some part of the unreflective enthusiasm which carried the *Bloc National* into power has evaporated since the last elections, we see no reason to doubt that M. Poincaré's opinions, in the absence of any opposition able to bring the alternative effectively before them, are shared by a majority of the people of France to-day, which appears to have hitherto been living in a world of its own. It is an unpleasant fact which had better be faced. France finds " her injury the gaoler to her pity," and, we might add, to her intuition ; for underlying many of the differences which are tending to isolate France is a mistaken psychological analysis of other nations.

Towards Great Britain we believe that M. Poincaré entertains personal feelings of sympathy and friendship : he is free from any suspicion of the malice which envenoms every reference to this country in the French Press. In this, too, he is representative of French thought in the mass. There is in both countries a keen desire for understanding and co-operation, a strong disinclination to relax a bond sealed, to use a simple phrase often on General Botha's lips, " in blood and tears." But sentiment, however strong, will languish unless it can be translated into action, and there it is useless to pretend that M. Poincaré shows any sign of helpfulness. He has taken up the discussion of the proposed Anglo-French pact where it was laid down at Cannes. Information as to his views comes so far entirely from French sources, but they speak with a unanimity obviously inspired. The Poincaré Government propose amendments which would have the effect of turning a limited guarantee into a close military alliance for a generation, and would make it difficult for Great Britain to move for any revision of the Peace Treaty or to dissent from the general foreign policy of France.

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On these terms there is no prospect of the Pact being accepted by any British Government.

Finally, M. Poincaré has announced his intention to revert to older methods in diplomacy. He dislikes the Supreme Council, with its frequent and rather spectacular meetings. His dislike has been shared by many outside France. But the Supreme Council at any rate filled a gap. If, however, the old diplomacy means secret bargaining between Governments, we may hope that it will not be revived. The issues of to-day are too vast, they touch the lives of the masses at too many points, for a democracy to consent to abandon the protection which even a limited publicity gives it.

M. Poincaré can have no wish, nor is he in the least likely, to allow present differences between this country and France to widen into a breach. The differences are so numerous and so many of them come to him as an inheritance from his predecessors that he can afford to make sacrifices on some points in order to preserve the appearance of co-operation. But it is already clear from the methods which he has adopted to obstruct and postpone the Genoa Conference that we must be prepared for opposition, active or passive, from France to what may now be regarded as the settled British policy of promoting European reconstruction even if that involves revision of many provisions in the Treaties of three years ago. That policy for this country admits of compromise in detail but of none in principle; and to modify it now in any essential in the hope that concessions to the French point of view might revitalise the Entente would, in our judgment, be a mistake. Extreme views in France have been stimulated in the last three years by the suspicion, not always baseless, that British policy in Europe was in fact, and was intended to be, inconstant and adaptable to any wind that blew. Concession simply for the sake of preserving the appearance of agreement where there is none would be interpreted in France as weakness, and while encouraging

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extremists to persist in their opinions would undermine the arguments of that section of the French people, at present a minority, which holds other views.

### III. GENOA

THE Genoa Conference has been greeted, if not with exuberant optimism, at least with feelings of hope and satisfaction, because it is generally regarded as an endeavour to import new methods and a more generous spirit into the consideration of European problems. For the first time since the war a Conference is to be held at which the whole body of European States can meet on equal terms and make known their needs and their intentions. Russia is brought in from outer darkness, from the depths of the stupendous failure of a political experiment. No one knows to-day what part she can play in the new Europe, whether she is willing to play any part at all. As long as she looms, a vast uncertain shadow, in the East, there is no hope of tranquillity in the States on her border. Representatives of the German Government have made fleeting appearances at other Conferences in the last two years, but it has always been as the prisoner in the dock, to be cross-examined or sentenced unheard. Neutral countries like Switzerland, with her industries devastated and her finances deeply embarrassed by the results of a war in which she had no part, are now taken into council.

Moreover, no preliminary conditions are imposed on any member of the Conference. A general intimation is given of its objects and of the conditions which those who summoned the Conference consider are essential if Europe is to be restored. But no one is required as a preliminary to offer up an acceptable sacrifice of any of his known principles or opinions. Lenin is not asked to repudiate Bolshevism or to recognise the full sum of foreign claims on Russia before he has any opportunity of presenting his

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counter-claim. Nor is Germany called on to confess that it is after all within her power to meet in full the Allied demands for reparation. The point is vital, as was shown by the negotiations with Sinn Fein. The object of the Conference is to attain practical results, and if any member is determined to insist on a policy which is inconsistent with that object or with the spirit in which the other members have met, the fact will soon enough be apparent. No lasting results can be expected without full knowledge of all the relevant facts, and that can only come when every member is free to argue his case and put it to the test of practicability.

On the other side it is well to point out that the Conference is exposed to certain dangers. It may not be fully representative. France still demands those restrictions on freedom of discussion, those preliminary undertakings which, as we have tried to show, must rob the Conference of any real opportunity for usefulness. If her views are not accepted, and it seems unlikely that they will be, France may abstain altogether or may attend only to obstruct. Either course must weaken the meeting. An even more serious defection would be that of America. As we write it appears probable that the attitude of France will keep the United States away. The invitation to renew European entanglements is in any event an embarrassing one to an American Government, and the feeling, almost the conviction, which recent French policy has confirmed in the minds of Americans that Europe is still incorrigible in its dissensions, may prove decisive against the participation of the United States.

There is a danger of another kind, and that is that in a vague mist of optimism and goodwill the Conference may range loosely over too wide a field, and by attempting too much achieve nothing. Washington has shown the importance of aiming at a definite and limited mark. Pot shots are useless. In this regard everything turns on the opening sessions. At the moment it is still far from clear

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what the procedure of the Conference will be or who is cast for the rôle filled at Washington by Mr. Hughes.

### IV. THE CONDITIONS OF REVIVAL

IF we turn from the immediate programme of the Conference to examine the conditions on which a revival of trade and prosperity in Europe is attainable, we can only repeat what has been urged in *THE ROUND TABLE* at frequent intervals in the last three years. There are in our judgment four essentials—the reduction of armaments, the return in each country to sound principles of internal finance, the removal by the Governments of Europe of the obstacles which they have placed in the way of international trade, and the settlement of the question of reparations and of international debts generally.

Without disarmament there can be no hope of peace or of dealings between nations on any principles of justice or equality. It may be true that the will to fight will find the means, even though disarmament is universal; but if it needed proof, the history of the last three years has heaped evidence on evidence that the existence of the means pricks on, if it does not create, the will. The maintenance of a vast army is a menace, and has unfortunate reactions on policy even in a country like France, where order and discipline are rooted in tradition: in the embryonic civilisations of Eastern Europe and the Balkans it is intolerable, leading, as it does, to freebooting expeditions, the violation of neighbouring territory, and the tyrannic suppression of internal liberty. No one State will disarm in isolation. Drastic reduction all round is the only way. Without disarmament and peaceful habits trade can never revive, for trade avoids volcanoes. Last, and perhaps most potent argument, disarmament is now almost everywhere a condition of national solvency.

Sound internal finance, except in so far as international



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indebtedness enters into it, each nation must attain for itself. It means neither more nor less than a condition in which current expenditure is met from current revenue. The printing-press is, in finance, "the primrose path to the everlasting bonfire," and it has already been followed by many States almost to the end. But in some determined and courageous efforts are now being made to retrace the path. In Czecho-Slovakia a strong Government has kept out of temptation. In Germany a weak Government has until recently plunged ever deeper into it. Even in Austria and in Poland there are signs of improvement. The difficulties are immense—here and there almost insuperable—but unless they are faced there is only ruin ahead.

Obstacles to trade are legion; and the best service which Governments can render towards revival is to remove as many of them as they can. In Russia it is possible that without direct Government intervention in the work of reconstruction, success is unattainable. But the position of Russia is unique, and everywhere else trade asks only to have its natural channels reopened to it. They have been blocked by the erection of customs frontiers and tariff walls at every turn, by the "safeguarding of industries," by the strange conception that the restriction of imports would stimulate exports, by political jealousy which regarded a new and artificial frontier as a permanent barrier not only between the subjects of one State and those of another, but between an ironworks and the mines from which it drew its ore. Sooner or later these walls of Jericho must fall; if Genoa does no more than blow the trumpet, it will have justified itself.

Finally, we come to reparations and the other international debts. There is, we believe, a simple choice of alternatives in regard to the claims on Germany. Expert opinion, outside France, is practically unanimous that Germany cannot, in any circumstances which can humanly be foreseen, pay the full amount of £6,600,000,000 at which the claim still stands. It is impossible now, and

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may not be possible for several years, to determine what is the maximum sum recoverable from Germany. It is open to the Allies, therefore, either to remit or postpone—wholly or partially, now or at the eleventh hour when it is patent that a payment cannot be met—the cash payments due in the next few years, and then, when a rational estimate can be made, to fix the total liability, or, in the alternative, to fix that liability arbitrarily and at once. The first course involves an indefinite prolongation of the uncertainty which has paralysed Germany and all Europe during the last two years ; the second the risk that Germany will escape with a liability for something less than it might ultimately be found that she could pay. We feel no doubt which of these is the right course to adopt. A correct assessment of the amount is much less important to the world—even to France—than a final settlement. Suspense can only hamper German recovery, which is a pre-requisite both to reparations and to general trade revival ; and to France certainty now would mean the possibility of obtaining cash now when she most needs it by discounting German reparation bonds in the world's market. A moratorium would yield no comparable harvest of money during its term, since the reparation bonds now held by the Reparations Commission are quite unmarketable, and will remain unmarketable for so long as their face value in the aggregate is higher than the sum which the financiers of the world consider it is within Germany's power to redeem. Moreover, a moratorium would increase the difficulty, in which any Government in Germany now finds itself, of bringing the industrial interests which in the end must pay the bulk of the amount raised for reparations to agree to a scheme of taxation adequate for the purpose. It is a human, as well as a Prussian, characteristic, knowing the worst to be reconciled to it, but, if left in doubt, to become reckless and indifferent. The proposals just presented to the Reparations Commission provide for far-reaching reforms in the German

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budget, for large reductions in expenditure through the abolition of all direct and indirect subsidies, and for a number of new or increased taxes. The scheme could not reasonably be criticised as inadequate; but if all anticipations under it are realised, the total surplus available in 1922 for reparations payments in cash and kind would be only the equivalent in paper marks at present rates of £20,000,000.

It has already been pointed out in *THE ROUND TABLE* that the questions of inter-Allied debts and reparations are closely connected. The debts can only be paid—as reparations must be paid—out of a favourable balance of trade; and most of them, like a great part of the reparations claims, can probably never be paid at all. Moreover, the attitude of any creditor of Germany is likely to be materially affected by its own debts. America must be a consenting party to any agreement about inter-Allied debts, France to any about reparations. It is unfortunately true that recent events—the fall of M. Briand, and the impatience of America with French policy, and thus with all Europe—have left only a dwindling prospect for the next year or two of that comprehensive settlement of both questions to which we attach such importance. Prophecy is idle, but after Genoa it may be easier. Let no one imagine, however, that Europe is now on the highroad to prosperity. That is not yet in sight, and the nations have many a weary mile, “through bog, through bush, through brake, through brier,” still to cover before they reach it.

# Cannes, Genoa and Economic Revival

AIDE-MEMOIRE OF STATEMENT MADE BY MR. LLOYD GEORGE ON BEHALF OF THE BRITISH GOVERNMENT TO M. BRIAND, CANNES, JANUARY 4TH, 1922.

The British Government strongly desire that the Cannes Conference shall lead to definite results which will be approved by French and British sentiment and also by the opinion of Europe as a whole. In their judgment the indispensable condition of such success is a close preliminary understanding between the French and British Governments.

Public opinion is undeniably anxious and disturbed both in Great Britain and in France. Questions in which both countries are deeply interested are rightly believed to be at stake. There is a general feeling that some of the fundamental objects of the peace have not yet been achieved. The recovery of Europe is delayed beyond expectation. The disappointment of the peoples provokes irritation, and irritation leads to misunderstanding and controversy. These have been reflected throughout Europe and even beyond Europe with unhappy results.

The failure of the Cannes Conference would therefore re-act with very bad effect on the relations of the two countries. Indeterminate or provisional decisions would be regarded as tantamount to failure, and would inevitably accentuate the divergence between French and British sentiment which has lately made itself felt. Europe would regard any such consequence with dismay, since its peoples realise that a close understanding between the British Empire and France is not only an essential part of the Entente between the Allies but indispensable to European welfare and the peace of the world. The British Government desire to make it plain at the Cannes Conference that the British Empire and France stand together as firmly in the issues of peace as in the ordeal of war.

In their opinion this not to be secured by any piecemeal treatment of the questions by which the Conference is faced. On the contrary, they consider it absolutely necessary that the problem should be treated as a whole; and with this object in view, they desire to state the position of both countries, as they see it, at the present time.

In their opinion there are two principal reasons for anxiety in France.

In the first place, French opinion is disquieted on the subject of reparations. France is endeavouring to repair her devastated area, and is obliged to advance great sums, which make a formidable

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gap in her budget, for that purpose. This expenditure should and must be met by Germany; but in spite of settlement after settlement, satisfactory reparation by Germany is always postponed.

In the second place, French opinion is naturally anxious about the future safety of France. She has been invaded four times in a hundred and twenty years, and in spite of the losses of man-power suffered by Germany in the war and under the peace, France has still a population twenty millions less than that of the German Empire. Germany, moreover, possesses in the surviving soldiers of the Great War five million men trained to arms, and amongst them a very powerful corps of officers and non-commissioned officers. It is true that Germany has been deprived of nearly all her arms and equipment, but France cannot overlook the possibility that this deficiency may, by one means or other, be made good. It is therefore essential to her that the discrepancy between French and German man-power should be made up in such a way as to guarantee her soil from another devastating war.

In Great Britain there is also grave cause for anxiety and discontent. Britain is a country which lives by its exports, and its trade has been devastated as terribly as the soil of France. The consequences in human suffering and privation are very serious. Nearly two millions of the British working class are unemployed, and their maintenance costs the country nearly £2,000,000 a week.

This burden falls upon a community more heavily taxed than any other in the world and more hardly hit than France by the economic consequences of the war.

France is in this way more fortunately situated than other European countries. Owing partly to the large proportion of her population which lives upon the land, partly to the stimulus given to internal production by the needs of her devastated area, and partly also to the fact that the arrested condition of emigration to extra-European countries affects her population much less than those which sent large numbers of emigrants oversea before the war, she is suffering less than others from unemployment and from the collapse of international trade.

The other peoples of Europe are, however, suffering deeply from the same causes as the British people. In Italy and Belgium unemployment is serious. Italy is very dependent upon foreign trade, and has a greater population to employ than before the war. Belgium is a food importing country, dependent upon the European markets for 80 per cent. of her export trade. In Central, Eastern and South-Eastern Europe, the collapse and confusion of the normal processes of economic life are even more marked. Millions are living in conditions of bitter privation and misery. Even where inflation has given employment and good wages to the working class,

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the relief is temporary and reaction certain, unless measures are taken in time. Those dependent on small fixed incomes are suffering still more.

Russia, a fertile source of raw material and food before the war is now in the grip of famine. Millions are faced with starvation in her great corn-growing lands. In the cause of humanity and in the cause of their own welfare, to which the revival of Russia is indispensable, the European peoples should strive to find some remedy for Russia's present state, but they have hitherto looked on impotently, not knowing what to do. In the long run, the civilisation of Europe must suffer profoundly from such impotence. In its present state, it is moving fast towards social and economic catastrophe.

Profoundly, therefore, as her own interest is engaged in the economic reconstruction of Europe, Great Britain appeals in no selfish spirit for the co-operation of all the Allies in that great human cause. It must be undertaken here and now. There is an awful aggravation of human misery, and in some parts of Europe an increasing menace to civilisation itself, in every month of delay.

The problem before Great Britain and France is how to meet their respective necessities by common action. These must be met as a whole. Complete frankness between the statesmen of both countries is essential if the problem is to be effectively solved. Great Britain fully recognises France's ground for anxiety, and desires to do all in her power to allay it, but she cannot agree to postponing the question of the reconstruction of Europe, while meeting France's desires in regard to her reparations and her security. In order to give satisfaction to French needs, the British Government must be able to tell the British people that the two countries are marching together to restore the economic structure of Europe and the general prosperity of the world.

With regard to reparations, His Majesty's Government are prepared to abide, so far as they are concerned, by the arrangements reached in London under which France would reap considerable advantages while Britain would make considerable sacrifices. They believe that this arrangement will meet the essential claims of France until such time as a wider financial settlement can be attained—perhaps in two or three years.

With regard to the safety of France against invasion, Great Britain will regard this as an interest of her own and is therefore prepared to undertake that in the event of unprovoked German aggression against French soil the British people will place their forces at her side. There will be a double value in this guarantee, since it will not only safeguard France in the event of German

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attack but will make any such attack extremely improbable. It is not likely that Germany would have attacked in 1914, had she realised the great forces which the British Empire would throw into the war. In 1914 Germany credited Great Britain with only six divisions. She knew little or nothing of the character and resources of the British Commonwealth. She is wiser now, for she knows that, instead of six divisions only, the British Empire was maintaining 400,000 men in the field in France by the end of the first year of the war. These numbers rose rapidly afterwards, and during the last two years the Empire maintained a strength of 2,000,000 men in France and Flanders despite a heavy drain of casualties. Great Britain called out a total of 6,211,427 men for military service by land, sea and air. The self-governing Dominions, India and the Colonies called out 3,284,943. The total strength thrown by the British Empire into the war was nearly 10,000,000 men. The losses in killed, wounded and missing were 3,266,723. The killed numbered 947,364.

It is inconceivable that Germany should forget these facts or their significance as a guarantee of French soil. What the British Empire did once for civilisation, it will, if need be, do again. The great reserves of trained officers and men which it inherits from the Great War will be available as long as Germany's own. The vast equipment manufactured for the war will be available in Great Britain for at least a generation, whereas that of Germany has been taken away wholesale by the Allies.

If, therefore, Germany is certain that the British Empire will stand by France in a future war, she will not be tempted to keep alive any dreams of revenge. It is of great importance to divert the German mind from any such ambitions as well as to provide for the defeat of those ambitions should they mature. The British Government believe that both objects will be met by an undertaking that the two nations will stand together against an unprovoked attack upon French soil by Germany, and that such an undertaking must ripen and strengthen the friendship of the two nations as years go on.

There are two ways in which this mutual undertaking could be given.

The first is by means of an offensive and defensive alliance. Though such an alliance might seem desirable to France, it would in reality not serve her interests well, because such alliances are contrary to British tradition. The British people understand the claim of France to be guaranteed against invasion of her soil; but they would not willingly be committed to military liabilities for breaches of the peace elsewhere. Participation in military enterprises in Central and Eastern Europe they would not contemplate. An alliance involving, or even appearing to involve, any such respon-

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sibility would not carry the whole-hearted concurrence of the British people. On the contrary it would be strongly opposed by large sections of the community in all parties, and would therefore not be as valuable to France as an undertaking in another form.

The second alternative is a definite guarantee that the British Empire and France will stand together in the event of unprovoked aggression by Germany against French soil. This alternative was discussed at the Imperial Conference last summer, and it is probable that the opinion of the Empire would support that of Great Britain in giving such a guarantee to France. It would, therefore, have far greater weight, for it would, the British Government believes, carry with it the whole-hearted opinion, not of Great Britain alone, but of the Dominions. The real danger to France is from German invasion. She cannot be invaded by any other nation. A guarantee against German invasion secures her safety beyond doubt. This, therefore, is the alternative, which His Majesty's Government prefer to adopt. They propose the draft Treaty between Great Britain and France attached to this memorandum as the form of engagement best calculated to protect the common interests of both Powers in Western Europe.

In order, however, that effect may be given to it, it is necessary that the Treaty should be accompanied by a complete Entente between the two countries. This was the basis of the agreement of 1904, which gave France the support of Great Britain in the war, and it is equally essential now.

His Majesty's Government consider that the first condition of a true Entente is the avoidance of naval competition between the two countries. With regard to submarines they fully understand that the divergence of French and British views on the subject may be due to different ideas of the uses which submarines can serve. The British opinion, however, based on four years' war experience, is that submarines are effective only against merchant ships and are ineffectual otherwise as instruments either of attack or defence. British opinion would inevitably insist on a heavy programme of anti-submarine craft if the French submarine programme were carried out, and the two countries would thus be launched on a course of competitive naval construction. The British Government cannot disguise the fact that any such development would react very seriously on British sentiment towards France, and French sentiment towards Great Britain. Britain's sea communications are to Britain what France's eastern frontier is to France. Naval competition in any form between Great Britain and France would corrode goodwill. His Majesty's Government, therefore, propose as the condition of the Treaty and Entente which they contemplate that the Admiralties of the two countries shall confer together regarding their naval



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programmes in order that all competition in shipbuilding may be avoided between them.

The British Government also strongly desire that France shall co-operate whole-heartedly with Great Britain in the economic and financial reconstruction of Europe. They, therefore, look for the agreement of France to the immediate summoning of an Economic Conference at which all the Powers of Europe, including Russia, would be represented. The economic collapse of Central, Eastern, and South-Eastern Europe is now the most serious factor in the paralysis of European trade; and it cannot be remedied unless the produce and the markets of Russia are once more made available to the world. The presence of the real leaders of Russia is therefore necessary, in the opinion of the British Government, to the success of such a Conference. No useful object is served by forwarding conditions in writing to Moscow. It is most important to deal, if possible, direct with the heads of the Russian Government, and the Conference should be held as soon as possible at the most suitable centre for that purpose.

In order to trade with Russia, certain assurances and guarantees are essential.

It should be pointed out that while nations can claim no right to dictate to each other regarding the principles on which they are to regulate their system of ownership, internal economy and government, foreign capital cannot be made available to assist a country until foreign investors are assured that their property and their rights will be respected, and the fruits of their enterprise secured to them. The sense of security cannot be re-established unless the Governments of countries desiring foreign credit freely undertake :—

(a) To recognise all public debts and obligations, as well as the obligation to restore or compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld.

(b) To establish a legal and juridical system which sanctions and enforces commercial and other contracts with impartiality.

Finally, an adequate means of exchange must be available, and, generally, there must be financial and currency conditions which offer sufficient security for trade.

His Majesty's Government would also lay down the two following principles :—

1. All nations should undertake to refrain from propaganda subversive of order and the established political system in other countries than their own.

2. All countries should join in an undertaking to refrain from aggression against their neighbours.

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His Majesty's Government have indicated the importance of agreement upon naval construction, because they consider it indispensable to that complete Entente between Great Britain and France which they desire to maintain. In the same spirit they would desire to clear away all questions on which controversy between the two countries is possible.

It is essential, for instance, that peace in the Near East shall be restored, and that there shall be absolute agreement between France and Great Britain as to the Allied policy to be pursued. The same consideration applies to other important points at issue in foreign affairs, which have hitherto, in some measure, impeded a complete understanding.

The time has passed when statesmen could pledge their countries to engagements without full regard to the popular sentiment which they represent. In order that the Treaty of Guarantee proposed should be of lasting value to both countries, it is essential that the democracies of the British Empire and the French Republic should feel assured that they are guided by similar purposes and harmonious ideals. All questions, therefore, should be cleared away which may be capable of dividing the sentiment of the two countries and marring their accord. His Majesty's Government are confident that there are no outstanding questions which cannot be solved in a manner satisfactory to both Governments, and that the Treaty of Guarantee between the two countries may thus be sealed and confirmed by a complete and durable Entente.

It is, moreover, their particular desire that this Entente between Great Britain and France, so far from excluding other nations, should form the basis of a wider scheme of international co-operation to ensure the peace of Europe as a whole. They look confidently to what can be accomplished by collaboration between the Allies in this purpose. The last of the conditions laid down in this Memorandum as the basis of the proposed Economic Conference propounds a simple condition of international accord :—

“That all nations should join in an undertaking to refrain from aggression against their neighbours.” The hope of Great Britain is to secure this undertaking from all the nations of Europe without exception. It is essential that the division of the European nations into two mighty camps should not be perpetuated by narrow fears on the part of the victor nations or secret projects of revenge on the part of the vanquished. It is essential that the rivalries generated by the emancipation of nations since the war should be averted from the paths of international hatred and turned to those of co-operation and goodwill. It is essential, also, that the conflict between rival social and economic systems which the Russian revolution has so greatly intensified should not accentuate the fears of nations and culminate in international war.

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If the conditions created in Europe by these new rivalries and divisions are not wisely handled by co-operation between the Powers, peace can only be short-lived, and Europe will be plunged by the coming generation into another fierce struggle, which may overwhelm its civilisation in even completer ruin and despair. It is for the Allies, to whom the war has bequeathed a position of vast responsibility and far-spreading power, to stand together against this menace, to combine their influence in averting it, and to make sure that in the heart and will of their own peoples, who fought and bled for civilisation, the cause of civilisation prevails. Great Britain, therefore, offers to France and Italy her intimate and earnest co-operation in building up a great system of European accord, which will put the maintenance of peace between nations and the reduction of national armaments in the forefront of its aims; for only so in their belief will Europe secure that sense of safety amongst nations, great and small, which through the many centuries of its political history it has never yet attained. If the Economic Conference is agreed to, it will create an opportunity for the great Allied Powers—France, the British Empire and Italy—to inaugurate an era of peace in their own Continent whose war-sodden fields record a history more terrible than that of any other continent in modern times.

### DRAFT OF ARTICLES OF PROPOSED TREATY BETWEEN THE GOVERNMENTS OF THE BRITISH EMPIRE AND THE FRENCH REPUBLIC

I. In the event of direct and unprovoked aggression against the soil of France by Germany, Great Britain will immediately place herself at the side of France with her naval, military and air forces.

II. The High Contracting Parties reassert their common interest in Articles 42, 43 and 44 of the Treaty of Versailles,\* and will consult

\* Articles 42, 43 and 44 read as follows :

“ Article 42.—Germany is forbidden to maintain or construct any fortifications either on the left bank of the Rhine or on the right bank to the west of a line drawn 50 kilo. to the east of the Rhine.

“ Article 43.—In the area defined above the maintenance and assembly of armed forces, either permanently or temporarily, and military manœuvres of any kind, as well as the upkeep of all permanent works for mobilisation, are in the same way forbidden.

“ Article 44.—In case Germany violates in any manner whatever the provisions of Articles 42 and 43, she shall be regarded as committing a hostile act against the Powers signatory of the present Treaty, and as calculated to disturb the peace of the world.”

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together should any breach of them be threatened or any doubt arise as to their interpretation.

III. The High Contracting Parties undertake further to concert together in the event of any military, naval or air measures inconsistent with the Treaty of Versailles being taken by Germany.

IV. The present Treaty shall impose no obligations upon any of the Dominions of the British Empire unless and until it is approved by the Dominion concerned.

V. This Treaty shall remain in force for a period of ten years, and shall, if approved by both parties, be renewable at the end of that period.

*Cannes,*

*13th January, 1922.*

# AMERICAN REFLECTIONS

## I. WASHINGTON

**A**LREADY, in Washington, they are folding their dossiers and stealing away, or trying to. Conference "stories" are creeping into the inner pages of the newspapers. Cannes was its first competitor. Then the Cabinet crisis in France and prospects for Genoa. Ere this article goes to print, unless the Conference's duration exceeds the most extravagant expectations, the last ratio will have been figured, the last naval expert quoted, the last seal affixed. The Washington Conference will have stepped into history. This article will not attempt to deal with its achievements or to estimate their permanence, but will speak rather of its immediate reactions on contemporary opinion.

A graph of the American public's interest in the Conference would probably start at its peak on November 12, when Mr. Hughes made his opening speech, a speech which, as Mr. Balfour generously observed, was not only one of the greatest of modern times, but was also in itself an historic event. From that moment on, the curve trends slowly downwards until the announcement just before Christmas of the Four-Power Treaty and the sensational revelation of the newspapers that Mr. Harding differed from the American delegates in the interpretation of one of its most vital clauses. At Christmas the curve slumped below a horizon of tinselled fir trees and thereafter emerged to

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only half its initial height in the controversy over submarines and their uses, and the discussion of Chinese customs. It has risen a little higher in the decisions of Japan with respect to Shantung, Mongolia, Manchuria and Siberia.

This Conference, like that of Paris, has made its contribution to the American vocabulary. Almost everyone now knows what "agenda" are, "ratio" has come back into its own, and thousands of people have even heard of *likin*, which means so much in China and so little in America. The *Mutsu* and the *Hoods*, the *Washington* and the *Colorado*, have attained almost as great though by no means as enviable celebrity for not being scrapped as the *Victory* and the *Constitution* for not being sunk. It is not flippant to mention these things. For the most part men come into contact with the Conference through the newspapers, and through the newspapers with their recurring catchwords and catchphrases men have judged it. And more important than the Treaties to which the Conference gives birth is the public opinion it creates. It is not Magna Charta that has so profoundly affected English history so much as what several generations of people supposed, and often quite wrongly, that Magna Charta meant.

The general sentiment over the Conference has certainly been one of optimism. There is a feeling that the representatives of the nations have for the most part made an honest and faithful attempt to solve a vast problem, that something has, in fact, been done—something quite substantial at any rate in reducing the financial burden of armaments and something appreciable in lessening the likelihood of future wars—at least, of future naval wars. In fact, few people had dared hope for achievements nearly as substantial. That nothing has been accomplished toward the reduction of military armaments surprises nobody who was well informed. M. Briand's utterances at the Conference were so plainly forecast by his utterances in France

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before the Conference and by French feeling as voiced by her statesmen ever since the war that they attracted comparatively little attention. It was not to the reduction of land armaments that hopeful eyes were ever cast.

There were hopes, however, that the questions arising out of the twenty-one Demands and the Japanese position at Shantung and in Chita might be settled at the Conference. Thus far these hopes have not been realised. It may be, however, that these failures will be repaired before the Conference ends.\* If not, we should not be too quick with the inference that the Conference has failed because it closes with some of its objectives not attained. An international conference which settled everything and settled it right would certainly be a novel achievement.

One political question raised by the Conference is outstanding—the fate of the so-called Four-Power Treaty. The other Treaties that will come out of this Conference—the Five-Power Treaty limiting naval armaments, the Nine-Power Treaty regarding China, and the Treaty governing the use of submarines, are likely to encounter scant opposition in the Senate. But the Four-Power Treaty is peculiar. In an article in *THE ROUND TABLE* for December the writer considered the possibility of such a Treaty and observed, “. . . When analysed such a treaty or tacit entente would be perilously near to Article X of the Covenant of the League. Can it be that history is to repeat itself in so short a cycle, that the Harding ship will founder upon the same rock as the Wilson ship, and almost before the Wilson wreckage has been washed away?”† The question is more pertinent to-day than ever.

Let us, therefore, attempt a few soundings in the neighbourhood of this rock of “involvement” on which the Wilson ship foundered.

\* Since this article was written it has, we understand, been decided in principle that Shantung is to be restored to China. The details of the arrangement have, it appears, still to be settled.

† *ROUND TABLE*, No. 45, December 1921, p. 128.

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Article X of the League Covenant, which proved so repugnant to the American electorate in 1920, provides : "The members of the League undertake to respect and preserve as against external aggression the territorial integrity and political independence of all members of the League. In case of any such aggression or in case of any threat or danger of such aggression, the Council shall advise upon the means by which this obligation shall be fulfilled."

Article II of the Four-Power Treaty is as follows : "If the said rights" (i.e., rights in regard to the insular possessions and insular dominions of the contracting parties in the region of the Pacific Ocean) "are threatened by the aggressive action of any other power, the high contracting parties shall communicate with one another fully and frankly in order to arrive at an understanding as to the most efficient measures to be taken jointly or separately to meet the exigencies of the particular situation."

One hears the assertion that this is only another outcropping of the same ledge on which the seas of senatorial eloquence beat so heavily in 1919 and 1920. Such is the creed of the unregenerate irreconcilable. Senator Hiram Johnson will not give his consent to this "unexpected and extraordinary contract" without giving it a narrower scrutiny than it has hitherto had the benefit of receiving. And Mr. Borah is like-minded. The threat to American institutions is to him a "Goblin that will get yer if yer don't watch out" in any treaty ; and Mr. Borah means to watch out even if his vigil is a lone one. In this instance he feels that the League with a written covenant as contained in the Treaty of Versailles is less dangerous and less formidable than the new Treaty with its sweeping and undefined implications. "From what one can gather here and there, it is the old League of Nations under another name," he says. "It will be engaged in precisely the same kind of work and doing the same kind of things that were proposed by the League. . . . I see no reason, therefore,



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why the forty-three nations which have signed the League should be asked to abandon it and transfer their names to an association of nations. If we want to go into this kind of a proposition, there is no reason why we should not experiment with the one they have." And so on for several paragraphs. One is moved to ask the conundrum, when can an irreconcilable be reconciled ?

Nevertheless it requires no uncanny discernment and no very unusual capacity for interpreting legal phrases to point out that while the provisions of the League Covenant do in effect make the parties thereto guarantors of one another's territorial integrity and political independence, the provisions of the Four-Power Treaty contemplate nothing more drastic than mutual consultation. Therefore the analogy between the two Treaties, though plausible enough to be dangerous, is only superficial.

Meantime other foes of the Treaty have sought to make capital out of Article I, which makes mention of the rights of the parties in relation to "their insular possessions and insular dominions" in the Pacific. This article was construed by the delegates to the Conference, the Americans included, as including the mainland of the Japanese Islands, if one may use so Irish an expression in discussing an Oriental question. This inclusion of the Japanese Islands was thought by some to be but a fair consideration for the inclusion of the greater British Islands in the Pacific—Australia and New Zealand. For some reason, however, the liaison between White House and Conference broke down at a crucial moment, and Mr. Harding was trapped by newspaper men into giving a construction of the Treaty quite different from that put upon it by the delegates. To him "insular possessions and insular dominions" did not include the islands of Japan proper. For the moment a sensation was caused in press and country. It was said that Mr. Harding had been wilfully misled. The rumour was quietly circulated that Mr. Hughes was to use the prestige and success which he had won at the Conference

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to start a "Presidential boom" against Mr. Harding for the Republican nomination in 1924. No suggestion could have been more unjust to the loyalty and fidelity of Mr. Hughes' service to the country and Conference, and it was a relief when Mr. Harding waived his Presidential privilege of unquotability and asked the newspaper men to brand the story as "silly." The truth, of course, is simply that an ambiguous phrase was differently construed by President and delegates, who had not sufficiently consulted with one another as to the correct construction. Now that the ambiguity of the phrase is become apparent, it will have to be remedied.

The prospect now is that the Four-Power Treaty will be amended so as to exclude the principal Japanese Islands. The Japanese delegates are said to desire such an amendment. Either in its present form or with this suggested amendment the Treaty will go to the Foreign Relations Committee of the Senate. It will be remembered that the Foreign Relations Committee is composed largely of irreconcilables—gentlemen who have the reputation of being very unkind to Treaties. There are Mr. Johnson and Mr. Borah, whom we have mentioned. There are men like Mr. McCormick and Mr. Brandegee and Mr. New, who fought the Versailles Treaty so assiduously. Senator Knox's place on the Committee has, however, been taken by Senator Kellogg, who in the Versailles days was classed as a "mild reservationist." But the most important political factor in the Treaty's favour is that Mr. Lodge, who led the fight against the League, is one of the authors of the new Treaty. Mr. Lodge is Chairman of the Senate Committee on Foreign Relations and Republican floor Leader in the Senate. If anyone can reconcile an irreconcilable, perhaps it is Mr. Lodge. That is on the familiar principle that a thief is the proper person to catch a thief.

So the Treaty should go to the Senate with a favourable report out of Committee. There may be attempts either in Committee or on the floor to alter it by amendments or

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reservations, but such attempts would not be very seemly. Since the Treaty is the Administration's own, amendments and reservations appear out of place. The case is quite different from that of the Versailles Treaty, which was negotiated entirely by plenipotentiaries of the party *not* in power in Congress. This is the point most frequently overlooked by critics of America's failure to ratify that pact. When the Treaty emerges from Committee, it will have the great power of the Administration to support it. But probably the argument for ratification which will have most weight in the Senate is that by some such treaty alone can we supersede the Anglo-Japanese Alliance, which, as has been frequently pointed out in these columns, is distasteful to America.

### II. AMERICAN SENTIMENT AND FRANCE

NO effect of the Conference upon public opinion has been more interesting, and perhaps none has been more significant, than that produced by the attitude of the French delegates at Washington. American sympathy with France has always been so strong that there was at first little disposition on the part of the public at large to treat critically M. Briand's analysis of the military situation in which his country found itself. When Mr. H. G. Wells in his widely circulated articles became caustically and mercilessly critical of M. Briand's speech and doctrines, American public opinion ran very high against the British novelist. He was denounced as a "pro-German" and a professional trouble-maker. The story that *The Daily Mail* had "fired" him was carried with gusto in most of the American newspapers, and greeted with applause by the bulk of their readers. His attacks on France for her use of Senegalese troops in Europe were particularly unpopular, because the propaganda of the "Horror on the Rhine" initiated in America about a year before had been shown

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unmistakably to be a German fabrication and had been repudiated indignantly by enormous popular meetings held in New York and other cities.

As the Conference wore on, however, the cleavage of opinion between the French and the other powers became more painfully apparent. Mr. Wells' language was scarcely more vehement than that of Lord Curzon from Downing Street or that of Mr. Balfour and Lord Lee from their seats at the Conference table. The French demand for certain exemptions from the holiday programme, for a larger ratio of capital ship tonnage than that designated for her by Mr. Hughes (350,000 additional tons), and for a large fleet of submarines has undoubtedly aroused bitter antagonism here. The more moderate comment that one hears almost universally is that France is behaving badly. But many have gone so far as to liken her attitude at Washington to that of Prussia at The Hague. The *New York World*, for instance, published a widely noticed cartoon of France trying on the spiked helmet of Prussia. What permanent effect this impression of France may create it is difficult to predict. Of course the belief in a renascent French militarism is not altogether new. Within a year of the armistice, American travellers strayed back now and then from Europe to condemn the attitude of post-bellum France and to denounce the "rattling sabre in the Ruhr valley." Ex-President Wilson was reported a convert to their opinions. Others purporting to be well informed blamed the French in unmeasured terms for inciting the Poles to their ill-timed and disastrous offensive against Soviet Russia in the summer of 1920. This sort of talk was, however, for the most part exceedingly unpopular. As no one wished to believe it, few did believe it. There is a natural kinship between America and France that is second only to the natural kinship between America and Britain. It is the kinship of democratic ideals, sprung almost at the same moment from hopes that were to redeem mankind. It is the kinship of a traditional alliance

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cemented and consecrated in a struggle so recent that we cannot yet speak calmly of it. And outside that kinship there has grown up since the war a feeling of tenderness, of chivalry, of reverence for a nation that has suffered beyond all the experience of mankind. This was the France America welcomed when Marshal Foch landed in New York, and again when he stepped on to the Convention platform of the American Legion at Kansas City. It was only four short years ago that that one word "France" was to Americans the most eloquent in any tongue. To millions of American young men it meant glory, gallantry, and honour, duty and devotion, life and death and immortality. There was no defining the magic of its connotations. No wonder Americans resented bitterly the coupling of this France with traits and ideals which an American may say without self-righteousness have been quite foreign to his nature. France dwelt above any willing suspicion; if she had her detractors, they were thought of as alien enemies of the American people as well as of France.

It were, indeed, a harsh task to write of any change in those sentiments. There *is* no change in admiration and love for the French people and the fine qualities of the French nature. But there is certainly a decrease of confidence in French motives. Americans do not comprehend and seek in vain to explain the French desire to construct submarines or to get concessions as to capital ships. They cannot account for it on any sound doctrine of "security" or "vital interests." It is not convincing to be told of a great colonial empire or a long coastline if the motherland is self-sustaining and the coastline not menaced by any hostile nation. For the fear of a German or a Russian naval force menacing France seems to-day chimerical. Yet the fear of French bankruptcy which should be so wholesome and so reasonable appears at times very remote from French hearts. The Frenchman, of course, replies, when all this is suggested to him, "Yes, but the guaranty which you

## American Reflections

promised me has never been forthcoming, so I must protect myself as best I may—on the left bank of the Rhine, under the sea, *n'importe où.*” To this there are two answers which Americans would like to have understood. One is that under the American constitutional practice, which should certainly be understood in its essentials by all responsible French statesmen, no binding promise was ever made by America to France. And the other answer is that American sympathies and love for a truly pacific France, if they are fostered by a sincerely pacific and anti-expansionist policy on the part of the French Government, will avail far more than any treaty. Cannot there be found some Frenchman understanding enough and great enough to make his countrymen comprehend that if only his country can hold the high place she has held in American affections it is better than a double line of super-Dreadnoughts from Cherbourg to Cambodia? Almost as these words are being written comes the news of M. Briand's resignation and the formation of the Poincaré Government. It would be presumptuous to comment here on the domestic issues of a foreign country. But one cannot repress the hope that the new French Cabinet will not alienate the affections of Americans by reliance on a “security” which seems to them fictitious.

That France should lose American sympathy would be a great misfortune to both Governments and both peoples. More than that, it would be a misfortune to the world at large. Some shallow philosophers have suggested that America should “side with” England in her European policies. And that if American sympathies were turned away from France they would turn towards England. This is quite unsound. America does not wish to take sides on European questions and will not do so unless she is forced to. What Europe can justly ask of America is that she take counsel with the other nations of the earth and co-operate with them in bringing about a better order. The difficulty in securing this co-operation has been American innate

## Genoa

distrust of European motives. If this distrust is accentuated by French policy, it makes American co-operation only the more difficult to secure. And the loser is not France alone, but all of Europe. And of course all of America. Because the rôle of non-co-operator is by no means an advantageous one for her to assume.

### III. GENOA

THE invitation has just come for the United States to send her representatives to Genoa. It is to be hoped that the invitation will be accepted. There is every advantage to America in participating in these great discussions of world affairs, and she cannot be the loser by sharing in the give and take of ideas and proffered remedies. But, as these articles have repeatedly pointed out, there exists the almost insuperable feeling in America that European Powers desire to use the United States for their own end and that the unique value of America's disinterested position, about which one hears so much from European publicists, would be lost immediately were America a constant participant in these discussions. There is so much that is comprehensible and even justifiable in this sentiment that it should never be treated lightly. It may be that one of the chief benefits which will accrue from the Washington Conference will be the habituation of the American public to the idea of their country's participation in these parleys. In this connection, however, it is only fair to observe that a Conference at home seems far less portentous to most Americans than a Conference abroad.

## American Reflections

### IV. THE IRISH SETTLEMENT

THE prospect of an adjustment of the Irish question is certainly a cause for thankfulness. For more than a generation this theoretically alien issue has been a thorn in the side of Anglo-American relations. Nothing in the realm of foreign affairs is of more interest to Americans to-day. The newspapers, on the whole, have given the fullest publicity to the Treaty creating, or, perhaps, as some would prefer to say, recognising, the Irish Free State. Comment on the Treaty has been for the most part favourable to British statesmanship. Those whose sympathies are rather Imperial than Irish realise that only by some such surrender could a basis for peaceful agreement be reached, and they understand that no petty pride should stand in the way of Imperial unity achieved by fair compromise. Irish-American sentiment is also largely friendly to the new arrangement. It has, of course, encountered many critics, but many Irishmen prominent in national life, like Senator Walsh of Massachusetts, and Archbishop Curley of Baltimore, have publicly declared that it gave Ireland as great a measure of freedom as she could acquire or hope to obtain. The debate in the Dail and the defection of Mr. de Valera have not thus far appeared to produce any reaction of sentiment against the Treaty, and probably they will not. It is certainly difficult to see what good can be achieved by the tendency towards perpetual subdivision of Irish political groups. A logical consequence of this movement would be to make every man in Ireland the president of an Irish republic of which he himself is the sole citizen. It is true that there has been a willingness in some other parts of Europe to carry the principle of self-determination almost to this extreme. But the intelligent Irish-American, and, needless to say, there are a great many intelligent Irish-Americans, is eager to see some settlement of his country's difficulties. He does not love civil war, even as far away as Dublin is.



## Domestic Politics

### V. DOMESTIC POLITICS

**M**EANTIME, amidst all the treaties and conferences and the rumours of treaties and conferences, appear the perpetual issues of domestic policies. In November, 1922, occur the regular biennial Congressional elections. At these elections one-third of the entire membership of the Senate, thirty-two in number, will be elected, and the entire membership of the House of Representatives, numbering four hundred and thirty-five. This is, of course, the opportunity of the Democrats to win back some of the crushing losses which they sustained in the elections of 1920. To the Republican Administration the election will be a vote of confidence or the lack of it, as the case may be. There is very little doubt but that the Administration on its executive side has made an exceedingly favourable impression. The Cabinet is a strong one, Mr. Harding has acquired rather an unusual amount of personal popularity, and the political effect of the Conference will no doubt be of assistance at the polls. The Congress, however, has been far less popular with the electorate. It has failed to achieve the reductions in taxation which were hoped. No doubt any Congress would have failed, but that, of course, is of no consequence with the electorate. The new tariff is yet to be framed, and the difficulty of the Republican Party is a substantial one. Its whole tradition has been a high protective tariff. "Protection and Plenty" has been its slogan for generations, and however much one may debate economic questions it cannot be denied that the country has been prosperous under the protective tariff, but obviously the formulæ of protection are inapplicable to a situation in which America must market her goods abroad and cannot be paid except in commodities from abroad. As applied to the post-war conditions of Europe, the "protection" which keeps out

## American Reflections

the foreign product equally cuts off the foreign market for American goods; and, by depriving European countries of their markets in America, it retards the recovery of those countries for whose recovery we are most anxious not merely as humanitarians but as creditors. If the Republicans have the wisdom and the courage to adapt their ancient principles to the new conditions they will do well. If they can make this adaptation without the loss of a good deal of their old-fashioned protectionist support they will do exceedingly well. In this connection we should not fail to note the death of Senator Penrose of Pennsylvania, Chairman of the Finance Committee of the Senate, who was conspicuous for his shrewdness and political sense. Senator McCumber of North Dakota, who succeeds him, is thought to be very much in sympathy with the aims of the so-called agricultural *bloc*, which is composed of Senators from the great farmer states of the Middle West, and is at the moment suspect of working for class legislation without any deep appreciation of some rather elementary economic principles.

The party must also reckon with the ex-service men who for two years have been pressing their claim for what is termed "adjusted compensation." The measure advocated by the American Legion comprehends, in addition to a cash bonus provision, provisions for a land settlement, a paid-up insurance policy, and vocational rehabilitation. A decided sensation was produced in the summer of 1921 when this measure had passed the House and appeared to be on the point of passage in the Senate. At this juncture the Secretary of the Treasury, in a letter to Senator Frelinghuysen, which was read in the Chamber, urged against the passage of the measure on the ground that it would make impossible the economies to which the Administration stood committed. When it appeared doubtful whether this amount of intervention from the Administration could defeat the measure, the President appeared in person and asked the Senate to defer its passage, whereupon the

## Domestic Politics

Bill was recommitted. This aroused considerable animosity amongst the members of the American Legion and ex-service men generally, an animosity with which the party must reckon at the polls. It is rumoured at present that the Republican leaders consider the passage of the measure in the present session the best way of setting themselves right with the ex-soldiers and sailors ; but whether or not their late repentance will be enough to assuage the animosity already aroused is another question. And of course the passage of the measure is bound to be unpopular with those whose first thought is for economy of administration.

Of resentment and of gratitude, of economy and of extravagance, of protection and of trade, of involvement and of non-involvement—of such stuff as these will votes be made from the Atlantic to the Pacific next November. No European student of American affairs who watches the panorama of events for the next few months should be unmindful of these simple facts. It has been said that, while politicians have a vision which extends only to the next election, statesmen look to the next generation. In America, however, at all events, even the statesmen are inclined to look with favour upon the verdict of the polling booths ; and here and there it may be there are public men, and even influential public men, who are nothing after all but politicians.

United States of America.

[January 20, 1922.

## THE WASHINGTON RESULTS

THE documents containing the decisions arrived at by the Washington Conference have reached us just in time for reproduction in this number, and we print below the *ipsissima verba* of those provisions which our readers would, in our view, most desire to read.

The Treaties may be divided into two classes: those which refer to the Far East and its problems; and, secondly, those which are concerned with the question of disarmament, or of the restriction of methods of warfare.

To take the second of these groups first: the Treaties are three in number. The longest, and, in the opinion of most people, the most important agreement made at Washington, the Treaty for the limitation of Naval armaments between the United States, the British Empire, France, Italy and Japan, we are not attempting to set out in full. Its length, for one thing, is great, for it necessarily contains a mass of technical detail which is essential to give effect to the general principles embodied. The principles themselves are, however, simple and will be too fresh within the recollection of our readers to need any detailed publication in these pages of the actual clauses in which they are embodied. Briefly, they fix the ratio of naval strength in capital ships between the five great naval Powers—the United States, the British Empire, France, Italy and Japan. That ratio is to be 5 for America and the British Empire, 3 for Japan and 1.75 for France

## The Washington Results

and Italy. The tonnage is prescribed in Article IV of the Treaty, which reads as follows:—

The total capital ship replacement tonnage of each of the Contracting Powers shall not exceed in standard displacement, for the United States, 525,000 tons (533,400 metric tons); for the British Empire, 525,000 tons (533,400 metric tons); for France, 175,000 tons (177,800 metric tons); for Italy, 175,000 tons (177,800 metric tons); for Japan, 315,000 tons (320,040 metric tons).

The second important point to notice in the Treaty is the clause, Article XIX, which provides for the maintenance of the *status quo*, as far as fortifications and naval bases are concerned, in the insular possessions in the Pacific of the United States, the British Empire and Japan. A sort of neutral zone is thus established. Those who wish to study the actual position of the various islands named in this clause should refer to an article entitled, "The Washington Conference," which appeared in our December number\* and to which a chart of the Pacific Ocean is attached. The self-denying provisions of Article XIX do not apply to the islands adjacent to the coast of the United States, of Alaska, and of the Panama zone—not including, however, the Aleutian Islands and the Hawaiian Islands. Nor do they apply to islands adjacent to the coasts of Canada, of Australia and its territories, and of New Zealand. Naturally, too, neither of these Dominions, nor Japan itself is limited as regards fortifications and naval bases. The clause, however, applies in every case to insular possessions in the Pacific Ocean that may hereafter be acquired, as well as those mentioned in the Treaty.

The third point to which attention may usefully be drawn is the miscellaneous provisions in the third chapter of the Treaty. Article XXI reads as follows:—

If during the term of the present Treaty the requirements of the national security of any Contracting Power in respect of naval

\* THE ROUND TABLE, December, 1921, No. 45, p. 1.

## The Washington Results

defence are, in the opinion of that Power, materially affected by any change of circumstances, the Contracting Powers will, at the request of such Power, meet in conference with a view to the reconsideration of the provisions of the Treaty and its amendment by mutual agreement.

In view of possible technical and scientific developments, the United States, after consultation with the other Contracting Powers, shall arrange for a conference of all the Contracting Powers which shall convene as soon as possible after the expiration of eight years from the coming into force of the present Treaty to consider what changes, if any, in the Treaty may be necessary to meet such developments.

Article XXII provides for the contingency of a war affecting the naval defence of the natural security of any of the Powers concerned. Such Power, in that event, by giving notice may suspend its obligations for the period of hostilities and the other Powers may then themselves consult together and agree upon temporary modifications of the Treaty as between themselves during the war. In no case, however, may the provisions of Articles XIII and XVII be suspended under this Article. Article XIII forbids the reconversion into a vessel of war of any ship that must under the Treaty be scrapped; and Article XVII prevents any contracting Power engaged in war from using a vessel of war under construction within its jurisdiction, or already constructed (but not delivered) for some other Power.

Article XXVII provides that the Treaty shall remain in force till the end of 1936. Two years notice, however, must be given by one of the contracting Powers of intention to terminate. Otherwise the Treaty continues until brought to an end by such notice. In the event, however, of notice being given all the contracting Powers have to meet in conference within one year of the date on which the notice has taken effect.

The decision arrived at with regard to submarines will be found in the second of the Treaties which form what may be called the naval group, the Treaty to protect

## The Washington Results

neutrals and non-combatants at sea, which is set out in full below.

So much for the naval and military Treaties. The other group of Treaties which deals with the Far East consists of four Treaties. Two of these, the Four-Power Pacific Agreement, which is substituted for the Anglo-Japanese Treaty and the Far Eastern Treaty are set out below in full; the other two, being of a more technical and less general interest, important though their provisions are, we are not attempting to reproduce. It will be enough here to say of them that the Chinese Tariff Treaty, among other things, permits Chinese customs duties to be increased to 5 per cent., and the Treaty for the settlement of outstanding questions relative to Shantung fixes details, which were referred to as still unsettled in the article in this number entitled "American Reflections," in connection with the retrocession of Shantung to China.

In reproducing the Treaties set out below we have omitted clauses of a formal character. But it should be noticed that the Treaties affecting the British Empire are signed, not only by the representatives of Great Britain, but also by those of the Dominions and of India.

The first Treaty reproduced below is perhaps the most important of all. It substitutes a Four-Power Treaty for the Anglo-Japanese Alliance, the existence of which at one period threatened to interfere with the friendly character of Anglo-American relations.

### THE FOUR POWER TREATY

The United States of America, the British Empire, France and Japan, with a view to the preservation of the general peace and the maintenance of their rights in relation to their insular possessions and insular Dominions in the region of the Pacific Ocean, have determined to conclude a Treaty to this effect and have appointed as their Plenipotentiaries,

(The Names of the Plenipotentiaries follow.)

## The Washington Results

I. The High Contracting Parties agree as between themselves to respect their rights in relation to their insular possessions and insular dominions in the region of the Pacific Ocean.

If there should develop between any of the High Contracting Parties a controversy arising out of any Pacific question and involving their said rights which is not satisfactorily settled by diplomacy and is likely to affect the harmonious accord now happily subsisting between them, they shall invite the other High Contracting Parties to a joint conference to which the whole subject will be referred for consideration and adjustment.

II. If the said rights are threatened by the aggressive action of any other Power, the High Contracting Parties shall communicate with one another fully and frankly in order to arrive at an understanding as to the most efficient measures to be taken, jointly or separately, to meet the exigencies of the particular situation.

III. This Treaty shall remain in force for ten years from the time it shall take effect, and after the expiration of said period it shall continue to be in force subject to the right of any of the High Contracting Parties to terminate it upon twelve months' notice.

IV. This Treaty shall be ratified as soon as possible in accordance with the constitutional methods of the High Contracting Parties and shall take effect on the deposit of ratifications, which shall take place at Washington, and thereupon the agreement between Great Britain and Japan, which was concluded at London on July 13, 1911, shall terminate. The Government of the United States will transmit to all the Signatory Powers a certified copy of the *procès-verbal* of the deposit of ratifications.

The present Treaty, in French and in English, shall remain deposited in the Archives of the Government of the United States, and duly certified copies thereof will be transmitted by that Government to each of the Signatory Powers.

### FAR EASTERN TREATY.

The United States of America, Belgium, the British Empire, China, France, Italy, Japan, the Netherlands, and Portugal :

Desiring to adopt a policy to stabilise conditions in the Far East, to safeguard the rights and interests of China, and to promote intercourse between China and the other Powers upon the basis of equality of opportunity ;

Have resolved to conclude a Treaty for that purpose and to that end have appointed as their respective Plenipotentiaries :

(The Names of the Plenipotentiaries follow.)



## The Washington Results

I. The Contracting Powers, other than China, agree :

1. To respect the sovereignty, the independence, and the territorial and administrative integrity of China ;

2. To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable Government ;

3. To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China ;

4. To refrain from taking advantage of conditions in China in order to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly States, and from countenancing action inimical to the security of such States.

II. The Contracting Powers agree not to enter into any treaty, agreement, arrangement, or understanding, either with one another, or, individually or collectively, with any Power or Powers, which would infringe or impair the principles stated in Article I.

III. With a view to applying more effectually the principles of the Open Door or equality of opportunity in China for the trade and industry of all nations, the Contracting Powers, other than China, agree that they will not seek, nor support their respective nationals in seeking—

(a) Any arrangement which might purport to establish in favour of their interests any general superiority of rights with respect to commercial or economic development in any designated region of China ;

(b) Any such monopoly or preference as would deprive the nationals of any other Power of the right of undertaking any legitimate trade or industry in China, or of participating with the Chinese Government, or with any local authority, in any category of public enterprise, or which by reason of its scope, duration or geographical extent is calculated to frustrate the practical application of the principle of equal opportunity.

It is understood that the foregoing stipulations of this Article are not to be so construed as to prohibit the acquisition of such properties or rights as may be necessary to the conduct of a particular commercial, industrial, or financial undertaking or to the encouragement of invention and research.

China undertakes to be guided by the principles stated in the foregoing stipulations of this Article in dealing with applications for economic rights and privileges from Governments and nationals of all foreign countries, whether parties to the present Treaty or not.

IV. The Contracting Powers agree not to support any agreements by their respective nationals with each other designed to create Spheres of Influence or to provide for the enjoyment of

## The Washington Results

mutually exclusive opportunities in designated parts of Chinese territory.

V. China agrees that, throughout the whole of the railways in China, she will not exercise or permit unfair discrimination of any kind. In particular there shall be no discrimination whatever, direct or indirect, in respect of charges or of facilities on the ground of the nationality of passengers or the countries from which or to which they are proceeding, or the origin or ownership of goods or the country from which or to which they are consigned, or the nationality or ownership of the ship or other means of conveying such passengers or goods before or after their transport on the Chinese railways.

The Contracting Powers, other than China, assume a corresponding obligation in respect of any of the aforesaid railways over which they or their nationals are in a position to exercise any control in virtue of any concession, special agreement or otherwise.

VI. The Contracting Powers, other than China, agree fully to respect China's rights as a neutral in time of war to which China is not a party; and China declares that when she is a neutral she will observe the obligations of neutrality.

VII. The Contracting Powers agree that, whenever a situation arises which in the opinion of any one of them involves the application of the stipulations of the present Treaty, and renders desirable discussion of such application, there shall be a full and frank communication between the Contracting Powers concerned.

VIII. Powers not signatory to the present Treaty, which have Governments recognised by the Signatory Powers and which have treaty relations with China, shall be invited to adhere to the present Treaty. To this end the Government of the United States will make the necessary communications to non-Signatory Powers and will inform the Contracting Powers of the replies received. Adherence by any Power shall become effective on receipt of notice thereof by the Government of the United States.

A ratifying clause similar to that which appears in the First Treaty set out in this article.

# The Washington Results

## TREATY TO PROTECT NEUTRALS AND NON-COMBATANTS AT SEA IN TIME OF WAR AND TO PREVENT USE IN WAR OF NOXIOUS GASES AND CHEMICALS

The United States of America, the British Empire, France, Italy and Japan, hereinafter referred to as the Signatory Powers, desiring to make more effective the rules adopted by civilised nations for the protection of the lives of neutrals and non-combatants at sea in time of war, and to prevent the use in war of noxious gases and chemicals, have determined to conclude a Treaty to this effect, and have appointed as their Plenipotentiaries :—

(The Names of the Plenipotentiaries follow.)

I. The Signatory Powers declare that among the rules adopted by civilised nations for the protection of the lives of neutrals and non-combatants at sea in time of war, the following are to be deemed an established part of international law :—

1. A merchant vessel must be ordered to submit to visit and search to determine its character before it can be seized.

A merchant vessel must not be attacked unless it refuse to submit to visit and search after warning, or to proceed as directed after seizure.

A merchant vessel must not be destroyed unless the crew and passengers have been first placed in safety.

2. The belligerent submarines are not under any circumstances exempt from the universal rules above stated ; and if a submarine cannot capture a merchant vessel in conformity with these rules the existing law of nations requires it to desist from attack and from seizure and to permit the merchant vessel to proceed unmolested.

II. The Signatory Powers invite all other civilised Powers to express their assent to the foregoing statement of established law so that there may be a clear public understanding throughout the world of the standards of conduct by which the public opinion of the world is to pass judgment upon future belligerents.

III. The Signatory Powers, desiring to ensure the enforcement of the humane rules of existing law declared by them with respect to attacks upon and the seizure and destruction of merchant ships, further declare that any person in the service of any Power who shall violate any of those rules, whether or not such person is under orders of a governmental superior, shall be deemed to have violated the laws of war, and shall be liable to trial and punishment as if for an act of piracy, and may be brought to trial before the civil or

## The Washington Results

military authorities of any Power within the jurisdiction of which he may be found.

IV. The Signatory Powers recognise the practical impossibility of using submarines as commerce destroyers without violating, as they were violated in the recent war of 1914-1918, the requirements universally accepted by civilised nations for the protection of the lives of neutrals and non-combatants, and to the end that the prohibition of the use of submarines as commerce destroyers shall be universally accepted as a part of the law of nations they now accept that prohibition as henceforth binding as between themselves and they invite all other nations to adhere thereto.

V. The use in war of asphyxiating, poisonous or other gases, and all analogous liquids, materials or devices, having been justly condemned by the general opinion of the civilised world and a prohibition of such use having been declared in Treaties to which a majority of the civilised Powers are parties,

The Signatory Powers, to the end that this prohibition shall be universally accepted as a part of international law binding alike the conscience and practice of nations, declare their assent to such prohibition, agree to be bound thereby as between themselves and invite all other civilised nations to adhere thereto.

A ratifying clause similar to that which appears in the Four-Power Treaty and a clause providing for the formalities required to secure adherence follow.

## LETTERS FROM AN ENGLISHMAN IN GERMANY

*The following letters, written recently during a visit to Germany by an Englishman who was acquainted with it before the war, are published as throwing an interesting light on conditions and current opinions in that country. The vital need for Europe to-day is that all the great belligerent nations should, as Dr. Benes, the Prime Minister of Czecho-Slovakia, recently put it, "abandon war psychology." These letters indicate how far the existing relations between France and Germany render that possible, at any rate in Germany itself.*

BADEN, GERMANY.

December 18, 1921.

MY DEAR N——,

It seems so odd to be in the old atmosphere again—like pushing back the hands of the clock nine years. You can still climb the hill to the Bismarck Tower. The only difference is the remains of an anti-aircraft post. I struck the atmosphere as early as Liverpool Street. The old guttural accents, the same closely-shorn, colourless heads going, above the collar, into those folds that French caricaturists loved to show bulging below the *Pickelhaube* during the war. All reminded me where I was going. It seemed funny to be bound for Germany, and I said so to my porter. "Yes," he said; "I nearly got there myself three years ago." He had been in the Rifle Brigade, and was knocked out in the last advance.

## Letters from an Englishman in Germany

We got to the Hook of Holland just before dawn. The train, a real German one, with a "Speise Wagen"—it bore the suggestive title of "Mitropa"—attached, stole away in almost complete darkness. In the half-light I sometimes caught a charming glimpse of the gables of an old Dutch village or a Hobbema-like avenue, with infinite space behind, endless flats, or the brown waters of the North Sea touched by the first rose of morning. Merciless daylight, however, showed industrialised Holland as she is, drab and ugly. I was glad to reach the frontier. Here I soon realised that the old atmosphere was in point of fact changed. No lordly beings herded us about. There were uniforms. But for some alterations in badges, they seemed much the same as before. The swank, however, had gone. There seemed no backbone to make the tunics menacing. The officials were, indeed, just human beings in coloured clothes. Loss of morale, a German "die-hard" would have called it. To me it was frankly pleasant. One could have things where one liked in the corridors, smoke under *nicht raucher* notices, and, indeed, do all sorts of things that were *verboten*. When, on my return from the passport inspection, I found my seat occupied by a German Frau, who had removed my things to the rack, I just retired into the comfortable first-class compartment next door, where, later on, instead of threats (my ticket was second-class) I was offered his warm sympathy by the conductor. Perhaps it was the damping effect of the presence of the "braves Belges" at the frontier station who had the first look at our passports. On seeing my photo in uniform they murmured "Officier," and all saluted. It gave me a thrill.

In my railway carriage people were discussing the future of the mark. It was bound to go "right out," one man thought. Another, an English bagman from Manchester, reminded us that Germany was just a defaulting debtor, though he patronisingly paid a tribute to the way she was trying to meet her engagements. His views on the

## Letters from an Englishman in Germany

economic situation must have occupied the last hour of the journey to Cologne, but they would not interest you. He had a preposterous "Cyrano" nose and hardly any bottom to his face. He spoke with an almost religious earnestness. I was more attracted by a comparison of notes between him and another commercial traveller, a *soi-disant* Londoner with a suspicious want of acquaintance with the English language, about the various ways in which German goods could be smuggled into England. On this they seemed real experts.

Cologne was a wonderful experience. Fine shops full of smart things for Christmas, well-dressed people, and no signs of misery—on the surface. The population sedate and self-possessed. It seemed so strange to see no Prussian officers as of old, only French, British or Americans. I never saw two soldiers of different nationalities walking together. At my hotel I had a plain dinner exquisitely cooked. As I ate my chop I realised it was a work of art. I felt in the pocket in which I kept my 1,000 mark notes. The dinner, three courses, was, however, only 92, or under 2s. 6d. My room, a beautiful one, was just that figure.

I walked across the Rhine bridge in the twilight, and there, still proudly menacing the west, stood that gigantic equestrian statue of William. A couple of rosy-faced French conscripts were hurrying past it back to barracks. The monument of another ideal, the Cathedral, stood out against the evening sky.

Next day I came on here. Nowhere did I experience the slightest coolness or the least disposition to shun the subject of the war. We now, at all events, knew, I remarked to one friendly individual who sat opposite me at breakfast, that we could none of us exist without the other. He assented, but would, I think, have made an exception of the French. As to the future, he had no illusions. Plans might be made, but "der Krieg kommt immer wieder," he whispered. "We got it from Adam and Eve." Everywhere down the Rhine, as in the North, the fields showed careful cultivation. Signs of industry were all round. In

## Letters from an Englishman in Germany

conversation it was easy for a foreigner to put his foot into it. Why was railway time an hour earlier than town time down the Rhine? I asked. "Französische Zeit," was the reply. Once a Dutchman in my carriage asked: "What on earth is that?" pointing to one of those monstrous erections that you never feel safe against meeting even in the wildest parts of Germany. "That is the Denkmal," was the answer. It sounded odd, but there was no perceptible shade of bitterness in the reply. From the other window one could see a light blue platoon on the road. Was it insensibility? Just once the same German touched my arm and murmured: "Der Rhein!" We had been running along it for hours.

At Karlsruhe a couple of merchants got in. Intensely interested they were to hear all about England, especially the number of our unemployed. Our income tax impressed them, and the price I paid for a small flat. Like other Germans I have met here, they considered Lloyd George a wonder. Their trust in his power and will to change the situation seemed indeed almost boundless. "In England you have money but no work. We in Germany have work but no money," they remarked. Their workmen were now working well. The Bolshevism of twelve months back was underground again. But "what is the use of going on," they asked, "if we can't dispose of our goods for anything worth having?" They showed extraordinary eagerness, as everyone does, to hear anything about Russia. Their other sun was obviously to rise in the East. To balance their budget seemed now out of the question to them. England alone, they said, had got in in time, by taxing people before they had the opportunity to invest abroad the profits made during the war and the false boom after it. Now there was nothing for Germany to tax.

Such is a sketch of my experiences. It seems to me a picture into which you could read many *motifs*. Each sees what he wants to. To me all this movement and this



## Letters from an Englishman in Germany

appearance of prosperity seemed Dead Sea apples. Naturally there are plenty of Germans who don't think. The workmen, whose ability to strike ensures a fairly prompt adjustment of wages, however much the cost of living has hitherto risen or the mark dropped, live in the present. Their young men are, I am told, marrying with no thought of the future. Perhaps the people with fixed incomes don't matter so much. They do not parade their misery, but you have only to visit such an example of the class as Frau Lu——, to see what they are enduring. Many of the officer class, she tells me, are working dustbins in the day and returning to polite society at night. The Germans who think and those who are forced to face the prospect ahead are appalled. Merchants, everywhere, I am told, are avoiding taxation by arranging for their money to be lodged abroad. Who blames them? Much of it is absorbed by the purchase of raw material from the foreigner. How long, they ask, will its price be within their reach? Worse than anything is the demoralisation of every class. Nobody saves. What is the use? Most people regret they did not buy yesterday. A little maid, the servant of a friend and fresh from the mountains, with the most strait-laced ideas about saving, was advised by her mistress when she paid her a week's wages to go at once and buy stockings. Merchants, like my friends in the train, shake their heads and see the day not far ahead when their industries in despair will shut up shop. For what is the use of toiling for mere paper? Will the workmen still be quiet when this happens? The vagaries of the mark upset all calculations for the ordinary man, just as they make inferences from statistics difficult to draw. I see by *The Times* it has been as high as 212½ and sank as low as 1,275 to the £ in the course of the last year.

All this in Germany, once the home of thrift and industry. And so this devil's dance, the flight from the mark, goes on. It was Mephistopheles, you will remember, who, according

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to Goethe, first introduced paper money when Germany was short. Foreigners blithely stream across the frontier, buy and somehow get their goods out. The shops here were nearly cleared out a fortnight ago, I am told. Tourists from abroad, *Valuta Schweine*, come and batten on the exchange. Speculation in marks is incessant. And the cost of things still rises and the mark falls. Meantime the bitterness against the French grows steadily more intense, and the conviction that those extra twenty millions of population that Clemenceau referred to are at the root of French policy, becomes an *idée fixe*. The hate which during the war was all against us is now concentrated on them, for people feel they want not so much reparation as to throttle the life of Germany. Their agents, it is said, keep feeding the French Government with stories of warlike feeling. What is the truth? I can't, of course say, but D——, who is the most truthful man I ever met, says that, although there undoubtedly is a party that lives on hopes of revenge, it is small. Young Germany has other ideas. War has been tried; and there is no thought now of reverting to it. I have met Germans who say that it would have been worse for Germany if she had won. The new generation is, I am told, turning, or would turn if facts permitted them, more to the spiritual side of life. During the war there was no inspiring feeling as on our side that they were fighting for a better world, but just after the armistice the hope of one was strong.

In the streets you still see the old names. Here, the main thoroughfare, is the Kaiserstrasse—I stayed in the Kronprinz Hotel at Cologne—but, as someone remarked, tin soldiers do not figure, as of old, among the Christmas toys. *Simplicissimus* has an amusing sketch of the *ersatz* supply which has to take their place. As for the royal houses, I have not come across any disposition to go back to them. The Grand Duke was a good specimen, but people are really relieved, I hear, to be rid of a costly

## Letters from an Englishman in Germany

anachronism. In Catholic Germany there is a marked spiritual revival. It may be turned to political ends, but D—— welcomes it as part of the new “Drang” towards higher things. The great danger is the attitude of France. It and the falling mark, if they continue, will induce despair, and the two are intimately connected in the public mind. The “Die-hard” party are no doubt pinning their hopes on Russia, where, if it came to fighting, German officers and N.C.O.’s could, they think, soon hammer out an army, even if the French advanced from the West, just as in peace, all Germans naturally look forward to organising a thorough peaceful penetration there. One wonders if the Kremlin people would be averse to another upheaval. They might see in it their chance of establishing European Communism on the ruins when it was over. Whichever direction events might take, I personally feel that despair is a dangerous state for a great country like this to get to. At present there is more complacency than the facts warrant. Much of it is ignorance, but D—— confirms my view that much of it is due to the hopes that are pinned on to our own Government’s goodwill, and, less directly, on America. Washington and Ireland have deeply impressed Germans. I wish the English “Die-hards” who talk of loss of prestige could hear some of the remarks I hear. Washington has shown people that there really are other ways than force. In the train my fellow-passenger said, “Perhaps now that Ireland and the Pacific are settled, Lloyd George will turn to us.” “Suppose Germany came to the next Washington Conference,” I said to D——. “That,” he replied, “is what we should aim at.” Sensible Germans realise, though hotheads hope for a split in the Entente, that honour has kept us with France, and that the best thing of all is to keep France and bring Germany into a real working policy, just as we kept Japan and gained America at Washington.

Yours ever,

# Letters from an Englishman in Germany

BADEN, GERMANY.

January 13, 1922.

MY DEAR N——,

At every turn I find fresh interest. It is in many ways so like and in others so different to the Germany I left in July, 1914. I see even more clearly than in my first letter to you how easy it is to read anything one likes into the appearance of things. Any reading, too, might be right, yet only one little side of a many-sided picture which might, and I think would, leave one further than ever from an understanding of the real mind of this people. *The Times* says its heart is as it always was. I have already described to you the attitude of fellow-travellers in the train. I could give other instances of what might at first sight be taken for a strange want of sensibility, the attitude of one who has played a great game and lost, and into which no moral question enters. You will remember some of the conversations mentioned in my last letter. I have had others: one with a merchant delighted to hear about Mesopotamia and Syria, that Middle East to which he meant to extend his business if Germany had won. His interest was now academic, but it was none the less real. Russia, however, was his present objective. He had always in old days done business with Odessa. "Let us in there," he said to me, "and you shall have 50 per cent." The longing to get back to the outside world is incessant. This country is full of caged-in people who, as the Irish plays say, have been accustomed "to walk the world." Their desire to resume old relations is overpowering.

Of the war everyone, or nearly everyone, for Frau L—— is an exception, willingly talks. There is no shame, for was not Germany, people say, up against the world? She yielded in no even contest, but to the inevitable. Nor are the memories all disagreeable. I have an acquaintance in this pension who was a *Feldwebel* in the Baden infantry and is a fine type of warrant officer. He fought through the

## Letters from an Englishman in Germany

four years of the war and was three times wounded. His recollections of much of the first year, especially in Champagne, are pleasant enough, plenty of wine and friendly intercourse with the French inhabitants. He gives the British "Tommy" quite as good a character for stubborn fighting as the French "Poilu," and is full of admiration for our flying men, who were, in his opinion, much better.

This brings me again to the question of Franco-German relations. Baden, as you know, is a quiet little state which was never as Prussian as other parts of Germany. Bitterness against the French is, however, intense here. I said one day to the *Feldwebel* I hoped his little son would never see another war. "I give the next one 10 or 20 years," he replied. "You cannot expect our people to rest quiet with these French on top of us." His brother told me, when I remarked that I supposed that as in other countries people here were tired of war, that every young man would willingly march against the French if they continued to behave as they have for the last few years. "What more do you want?" *The Times* would say. As for the "Drang" towards Christianity mentioned in my last letter, what is easier than to suggest that, as true Nietscheans, this people is making use of it as the religion of the under dog—and for a purpose? No wonder, it will be said, that the interests of "Mensch" have now replaced those of nationality.

I have found no feeling of national guilt. It may exist. I can't say—only I have not come across it, except to the extent that the "incredibly foolish" politicians of old Germany are blamed by thoughtful people. D—, the other day, came specially round to give me an article from the *Berliner Tageblatt* of December 31, 1921. He felt that it showed where the first blame lay.

As an Englishman I find my position far pleasanter in Germany than I did in Erfurt thirty years ago. It may be that our clothes do not, as before the war, proclaim our nationality wherever we go. I, for instance, have been taken for a Swede. It is now over eight years since our

## Letters from an Englishman in Germany

type was a common sight here, and a new generation has grown up to which it is strange. To the Germany of to-day the Englishman means khaki, and even that is already only a memory ; to young Germany, the one that is going to count, not even that—only a blank. I may in consequence, as I speak little, draw wrong conclusions from the reception I get wherever I go. Still over and over again I have told people what I am, and invariably I find what I never remember experiencing before in this country—respect. Yes, some of our French friends would say, that is because they have had a beating, and they only have ceased to hate you because their hate for us is so absorbing.

That there is some truth in all this it may well be. The motives of all of us are mixed. But to stop there would be fatal and to say that force is the only thing a German is capable of understanding would be a colossal blunder. As to their war attitude, we would all of us prefer to see frank acceptance of national guilt. Hate there is, but it seems to me to be entirely hate for what has happened since the war and not hate because they have been conquered or for what took place in the war. They blame us frequently because they think we have given way to the French again and again over post-war questions ; but I can find no shadow of hate for us because at bottom they believe we mean well by the world as a whole, including Germany. And if there is no feeling of national guilt, there is certainly a bad conscience about our common European civilisation in which, as my friend in the train remarked, hitherto it has been true that “*der Krieg kommt immer wieder.*”

The new line taken by the Anglo-Saxon world at Washington and in Ireland has made a deep impression. Hope has sprung from it anew. “We ought to have treated our Poles and Alsacians like that before it was too late,” was said to me by a German lady only the other day. There is also on the material side a conviction that war in modern times cannot pay, either for those who win or for those who

## Letters from an Englishman in Germany

lose. The whole world is, everybody now knows, sure to suffer. They read of unemployment in England and America, but they see it with their own eyes in neighbouring countries where the exchange is high, as it is in Switzerland. I feel sure that if once the causes of the hate for the French which alone could make the people as a whole act against the conviction that war is folly, were removed, the feeling itself would die, though the process of removal must not be too long delayed. I have heard appreciation expressed of the cultural debt that Germany owes to France. The two countries ought, as a German remarked to me, to be friends because they each possess qualities which supplement defects in the other. For the rest there is in a sense probably more solidarity between the nations which fought than between ex-belligerents and neutrals. Botha had a natural sympathy, as you may remember, with everyone who had fought in the Boer war, regardless of his side. Here one meets crowds of neutrals, and, though there is gratitude for what was done for prisoners of war, there is also, I believe, a certain contempt for "these wily Dutchmen who kept out of the war and made money out of it." We Allies at all events don't come in for that. Old soldiers greet an Englishman with a sort of camaraderie. At the Gasthaus on the Schauinsland the host was delighted to find I had been in the Middle East. He had been three years in Mesopotamia and most interesting it was to hear his views on Turks and Arabs. He was exceptionally intelligent and had been years in America.

The hate of the French is based on post-war actions, but its real roots go deeper than any actions. The only German who has refused to meet me is an old Countess. She is, I am told by one of her friends, a Christian who acts up to, as well as professes, her creed. "Yes," this old lady remarked, "I could meet old English friends, but I will never willingly make any new English acquaintances." And the reason! Not any of our sins of commission, but because we had never even put in a protest at the

## Letters from an Englishman in Germany

use of black troops on the Rhine. At this indignity the feeling is everywhere extreme. But the real reason of the hate for the French lies below that. It has been repeated to me many times, but I will quote one instance. "We do not hate them," said a doctor, the son of a general who lives at Danzig, whom I met one Sunday on the way to the Feldberg, "because of the indemnity imposed on us." (He was not concerned with the practicability of German payment at the moment.) "We know we have lost and that if we had won the war we should have made all of you pay. It is because we know that the French are determined to break up Germany." There is the rub. The French cannot, people here believe, forget the future, which nothing can, they feel, permanently withhold from their numbers, their qualities, their geographical position, and their determination to recover a place in the world—in the sun, if you like. That is their unforgivable sin. German patriotism is not a thing that melts even after such a war as this; and the attitude, or what is believed to be the attitude, of France makes for greater solidarity than ever. After all, it was the French themselves who first awakened the sense of *Deutschtum*. That insensibility exists I do not believe. At winter sport places, like the Feldbergerhof, you find young Germany at play, apparently as carelessly happy as ever it was, with the ski-ing expeditions and the old gossiping tea parties in the Speisesaal, exactly the same passion for bright colours in jumpers and stocking tops. But if you watch closely and catch a face in repose, there is a shade which is new and not natural to youth. At the Schauinsland, a far smaller place, after *Abendessen* there was music. One fellow extracted a wonderful charm out of the most cracked of antediluvian pianos. Instinctively one or two couples pushed chairs out of the way and danced a turn or two. Others sang, and the songs they sang were, I thought, significant. Not the old war songs which before 1914 brought heels together with a click and a flush to the



## Letters from an Englishman in Germany

women's faces, but the beautiful old *Volkslieder* of the Germany which gave the world song. In the company there was some subtle bond stronger even than youth. I felt it. It was what D—— described to me as “that impersonal and detached shadow which the misfortunes of their country must always possess for the present generation of Germans, a sorrow which does not prevent private joys and griefs, but is always there in the background.” I confess that for me this people has an attraction which was absent when I saw it in its pride, a silent and unaggressive dignity.

I believe that the present is one of those psychological moments which count. The first, people tell me, was at the time of the armistice. To-day there is a pathetic tendency to look to England. I think they feel here that we understand them, which the French do not—perhaps thanks to that kinship which was so much spurned in the war. The feeling about Lloyd George is extraordinary. He may, they even think, be that man of destiny for which the world is longing. “Is he,” said a German guest at the pension to me last night, “the great and understanding man that all the world believes him?” “What a wonderful fellow he is!” said the shopman from whom I bought some skates for a small boy. They believe sometimes even that he sees beyond the interests of nationality to those of “Mensch.” It is a dangerous attitude, for disappointed hopes quickly turn to hate. At present I am sure that the women, here in the Black Forest at all events, do not teach their children to hate us. I have paid particular attention to the women, because they count most, and when they hate, they cannot conceal it. Will they continue to hate the French? If they do—and that depends largely, I suppose, on the March Conference—I do not believe that anything can stop things working up for another war at some time in the future, because, although the people who desire war for its own sake and for what they hope to get from it are few, hate, if it lasts, will

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in time give this nucleus the support which they would otherwise vainly look for.

Yours ever,

BADEN, GERMANY.

*January 14, 1922.*

MY DEAR N——,

In my last letter I suggested that one could understand French fears of a war of revenge, or used words to that effect, and I expressed my belief that unless the hate caused by the German conviction that France means to break up Germany is removed, nothing can prevent things working up for another war some day or other. I did not mean by this that I considered the French attitude reasonable. On the contrary, the French, or a strong French party, seem to have consistently behaved as if force or the fear of it were the only way of meeting the danger, whereas—one sees it even in this little corner of Germany—it is only adding fuel to the flames. And yet I believe that if the French attitude were different—and they alone have the power of clearing the air of this cloud—the reactionaries in Germany would preach to deaf ears, for the old feeling in favour of war as an ordinary instrument of policy is gone, except, I suppose, for the Junkers. Even D—— is convinced that the French militarists mean to throttle his country. I have, indeed, met no one of a different way of thinking. It extends, I am told, to the most convinced of pacifists.

The idea of France wanting guarantees for the immediate future would be scoffed at. She will be all-powerful for years to come. What she, or the party in control, seem to the Germans to be out for is to make sure that the day will never come, though otherwise it would as surely as the sun will rise to-morrow, when Germany's intrinsic advantages will once more bring her to the fore. People here see the cloven hoof in every move ; and in the other parts

## Letters from an Englishman in Germany

of Germany feeling is said to be stronger than here. As to that Catholic revival of which I spoke to you: France, which, as people remember, is now represented at the Vatican, is believed to be doing all she can to use it with the idea of setting up a separate German-Catholic State, to include Austria and Bavaria, as against the Protestant North. The Vatican would not, it is thought, be averse to the solidarity of German Catholicism being established, especially if it took the form of a kingdom. People in France are afraid of Austria joining Germany. And yet if they wanted to weaken the latter, they ought, one would think, to insist on it, for there would then be two capitals to compete for German loyalty—Vienna, with its prestige and its wealth of traditions for the Catholic South; and Berlin for the Protestant North. Thus union would spell division. Every attempt Germany makes to get into Russia is believed to be thwarted by France, afraid that this may be the beginning of the recuperation she dreads. The French are, people say, spending such funds as they get for reparations on armaments instead, and have checked the working of the Loucheur-Rathenau scheme. French intrigue is believed to pervade all Europe, and to be all of it directed to the end Germans dread so much. When, for instance, I put the idea of a neutral belt between France and Germany the reply immediately was: "Yes, but no loophole must be left for the direct and indirect gallicising influence which has always been a primary weapon of French policy. The neutralised belt must remain German, though neutralised for military purposes."

France's present attitude is, Germans say, nothing new. She is simply continuing her traditional policy. According to them aggressive militarism has always been its distinguishing mark in history. There was a long break after 1870—weakness compelled it—but now, they say, "Here it is back in full force again."

How far the attitude in Germany I have attempted to describe is justified you can judge as well as I. Its existence

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is, to my mind, the most dangerous factor in the present situation, the reverse side of the French fear of Germany. It is just as important to remove its causes as the French dread. No permanent peace can be built up on the foundation of a national nightmare.

Yours ever,

## THE NEAR EAST

THE Treaty of Sèvres detached wide outlying provinces from the Ottoman Empire, and reduced the great and historic Sultanate of the House of Othman to a Turkish state comprising Anatolia and a fragment in Europe. The Treaty further demilitarised important areas, and placed the sovereign position of Constantinople and the Straits under Allied control. It established stringent Allied supervision over various Turkish internal affairs. And it created a Greater Greece at the expense of the Ottoman Empire, not only for the advantage of Greece as an ally of the victorious Powers, not only for the welfare of Christian populations in the territories assigned to Greece, but quite as much on high considerations of Allied policy envisaging more than Turkey and Greece. At the time the Treaty of Sèvres was signed it represented, in fact, the considered and final decisions of the Supreme Council upon the intricate and closely related group of Turkish and Turko-Balkan problems with which the Council was confronted.

That was the position a year and a half ago ; but how changed the outlook now ! Greece, it is true, occupies more of Turkish territory than was assigned her under the Treaty ; but she does so precariously, and by a military effort she cannot long sustain. No measures which the great Allies have been able to take, no measures taken by Greece herself in assertion of her treaty gains, have sufficed to compel acceptance of the treaty by the Nationalist Turks in arms in their Anatolian fastness. The Treaty of Sèvres has remained unratified and inoperative from the day it

## The Near East

was signed. And now the Nationalists have secured support, not only from enemies of the Allies, but from among the Allies themselves who framed the Treaty.

The war in Asia Minor disturbs the whole Moslem world ; more than any other great Power, Great Britain is penalised by this unrest ; peace in the Near East has, indeed, become a matter of urgent necessity for all. But peace on the basis of the Treaty of Sèvres has now become an impossibility, the finality of Allied decisions a year and a half ago notwithstanding. It has become clear that the only way to peace is by a sufficient revision of the terms of the Treaty. It is clear, also, as a hard and uncompromising fact, that the only revision which will secure peace must be at the expense of Greece ; and that the chief question is the extent of territorial change which will achieve that end. It is certain that the Nationalists will demand the complete evacuation of Asia Minor and Eastern Thrace by Greek troops. It is certain they will not agree to less in Asia Minor (and almost certain that as to Thrace they will stand firmly for the surrender of the larger part of the province, including Adrianople). Nor will they accept an independent or even an autonomous Armenia, whether in the eastern districts of Asia Minor or in Cilicia. Nor anything but the most shadowy safeguards for the Christian minorities. In the circumstances which have arisen it appears that, except in Thrace, small chance remains of resisting Nationalist demands, or of meeting Nationalist refusals with more than acquiescence. The question depends in the main on the uncertain staying power of the Greeks.

This seemingly paradoxical situation, so opposed to every intention of the Allies in 1920, has been reached by gradual development. Outwardly it appears a confused series of events making up an almost inexplicable chapter of history. When disentangled and placed in proper order in their proper setting, these events are seen to be logical and almost inevitable, the outcome of causes easily recognised.

## The Situation after the Armistice

It is the purpose of this paper to trace the course of events since the Armistice of Mudros. And, further, to examine in some detail the underlying causes which have produced a situation so stultifying for the Western Alliance, and containing such dark probabilities for Greece and the Christian populations of the regions affected.

### I. THE SITUATION AFTER THE ARMISTICE

WHEN the Armistice of Mudros, signed on October 30, 1918, ended active hostilities with the Allied Powers the Ottoman Empire apparently lay in the final stage of defeat and exhaustion. With German support, and driving, she had made an effort in the war incomparably greater than she would have been able to make alone. By every sign she now was spent and helpless in proportion. Her financial resources, never great, had long run dry. Her armies were beaten beyond recovery and the greater part of them captured or destroyed. Her losses by death in the war—irrespective of the massacre and deportation of a large part of her Christian population—were over 500,000. The Arab rising, under the Sherif of Mecca and his sons, had expelled her from Arabia, with the consequent loss of the holy cities of Mecca and Medina to Turkish sovereignty. The rising, ostensibly directed against the “infidel and blasphemous” Young Turk Government at Constantinople, and backed by the great religious authority and position of the Sherif of Mecca, Ruler and Custodian of the Holy Places, had dealt a serious blow at the prestige of the Turkish Sultan-Caliph in the world of Islam. And British armies were in occupation of Syria and Mesopotamia, which wide provinces, too, the Allies had pledged themselves to remove from Turkish rule.

The Armistice opened the Straits and the Black Sea to the Allies, whose fleet reached Constantinople on November 12.

## The Near East

Military occupation of the Dardanelles and the capital by Allied troops took place at once, followed by the disarming of defences on the Dardanelles and Bosphorus. The Armistice required the surrender of whatever Turkish troops remained in Syria and Mesopotamia, and the complete evacuation by Turkey of Trans-Caucasia as well as the part of North-western Persia which she had occupied since the early months of the war. The Armistice also gave the Allies the right, in their discretion, to occupy any important position in Turkey, and, in certain definite contingencies, to occupy the so-called Armenian vilayets. It further required the surrender of arms and the reduction of the Turkish army to 50,000 men. Allied troops were sent to various important towns on the Anatolian railways, and British control officers placed in the larger towns which had no railway communication. Various points in Eastern and Western Thrace were also occupied.

With the arrival of the Allies at Constantinople began those national dissensions which more than anything else have caused the failure of the Treaty of Sèvres. The Turkish surrender at Mudros had been to the British naval commander, Vice-Admiral Sir S. A. G. Calthorpe. The Armistice itself was negotiated and signed by him on behalf of the Allies. British warships formed the greater part of the Allied fleet, British troops from Salonika the chief element in the Allied garrison in Constantinople, on the Straits, and in Western Asia Minor. This being so, General Sir G. Milne, commanding the British army in South-Eastern Europe, was directed to make Constantinople his headquarters. But the supreme command of the Allied armies in the Balkans had been placed in the hands of the French General Franchet d'Esperey at a time when there seemed small prospect of Constantinople coming within his reach. His operations had lain in Macedonia, Albania, Serbia, Bulgaria and Western Thrace. British sea power had, in fact, secured the occupation of Constantinople and the Straits while General Franchet



## The Situation after the Armistice

d'Esperey was fully occupied in his own particular sphere. However, the General, whose titular position was Commander-in-Chief of the Allied Armies in the Orient, considered that Turkey-in-Europe and Asia Minor alike came under his authority. He removed his headquarters to Constantinople in February, and the French contingent in the garrison was increased until it exceeded the British in strength. There is no need to refer at length to the friction that ensued between him and General Milne. Suffice to say that a working agreement was reached between their two Governments by which the British Commander-in-Chief became practically independent in Constantinople, on the Straits, and in Asia Minor.

French rivalry in Constantinople was intensified by the fact that the brilliant conquest of Syria was at the hands of a British general and British troops. The French supposed that it had involved them in a serious loss of prestige in the East. That, in addition, the great position of Constantinople should pass even temporarily under British naval and military supremacy was felt to be almost intolerable; to mean, in short, the destruction of those French political prospects in the East which arose after the defeat of Germany.

With the war lost, Constantinople occupied, and the Ottoman Empire, as such, plainly doomed to extinction, a storm of Turkish execration broke out against the Government under which such things had come to pass. In power the Government had represented nothing but their own interests and ambitions, and the sinister secret Society known as the Committee of Union and Progress. The Armistice had marked their collapse, and the disappearance of Enver Pasha, Talaat Pasha and other leaders. The Committee itself survived, but lay low for a time.

It was obviously good policy from the Turkish point of view to establish a Government of pro-British or pro-Entente tendencies. Such a government, in fact, with the aged Statesman Tewfik Pasha as Grand Vizier, assumed

## The Near East

office soon after the Allied occupation of Constantinople took place. But matters had gone too far for the old friendly relations between the Allies and the Ottoman Empire to count for much, even though urged by Turkish statesmen whose sympathy with the Entente powers had been unbroken and sincere. This and succeeding Governments were treated with every consideration and courtesy. They were accorded all possible support. But the chief Allied interest in them was that they should hold the country together and be able, when the time came, to sign and execute a treaty of peace. The march of events, however, speedily left them nothing but the form and husk of power, and it will be unnecessary to make here more than an occasional reference to their measures or actions.

The change from war to peace produced chaos in Anatolia for a time. Disbanded or deserting soldiery, literally in hundreds of thousands, were on their way home, travelling afoot. They took to brigandage and robbery as the readiest means of finding a living, and as long as opportunity offered many had no desire to do else. Insecurity to life and property reached a stage unknown before in a land familiar enough with violence. In this way the more sober elements of the population became ready to tolerate or even welcome any government which changed these conditions.

In the nature of things, the Peace Conference which assembled at Paris in January, 1919, could not at once proceed with the settlement of Near Eastern questions. There were matters of much greater importance to be disposed of first. Turkish questions had to wait, to the disadvantage of Turkey at the time, to the subsequent greater disadvantage of the Allies. But the general outline of the terms of peace with Turkey were considered and settled in broad principle by the beginning of May, though various large questions still remained in doubt. There were non-Turkish problems, however, too closely related with problems essentially Turkish for either to be kept in watertight compartments, and settlement of the one in

## The Extension of Greece

advance fixed the ultimate form of settlement of the others. In this way the Turkish peace treaty could not be written on a clean sheet.

We must glance now at the part Greece took in the war, and her relationship with her neighbours.

### II. THE EXTENSION OF GREECE

**T**HE Greek King and a majority of the Greek people, as is well enough known, desired at first to keep out of the war. In a struggle of giants the wiser part of the little man is, if possible, to look on. So doing he will escape injury; so doing he may remain friendly with both sides: he may even, if adroit, benefit himself materially. The Greeks need not be blamed for this attitude; it was, at the time, perfectly reasonable. That the King and his General Staff may have had their own views as to when and on which side Greece should eventually join in the war is another matter.

But the insight and vision of the Greek Prime Minister, M. Venizelos, enabled him to see that the Entente Powers were likely to prevail against the Central Powers. And that if Greece joined the Entente she would have an opportunity for realising a Magna Græca beyond the hopes of the most sanguine. Such a suggestion had, in fact, been made to M. Venizelos during January, 1915, by the British Minister at Athens, acting on the instructions of Sir Edward Grey, at that time Secretary of State for Foreign Affairs. It is unnecessary to detail here all the steps M. Venizelos took to seize this golden opportunity. Suffice to say that the policy he advocated was vehemently opposed by the King and by the King's party. On September 29, 1916, therefore, seeing nothing else for it, he, with Admiral Condouriotis, declared the formation of a Provisional Government in Crete in opposition to the Government at Athens. This Provisional Government he subse-

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quently transferred to Salonika, where he caused it to declare war against Germany and Bulgaria on November 23 of the same year. The treacherous attack on Allied troops by Royalist Greek forces at Athens and the Piræus on December 1 was followed by the abdication of King Constantine on the demand of the Allies. M. Venizelos was appointed Premier on June 26, and returned to Athens the day following. United Greece then came in on the side of the Allies and immediately declared war on Austro-Hungary and Turkey.

But *Magna Græca* had to be won at the Peace Conference. M. Venizelos claimed much for Greece—Eastern and Western Thrace, the Turkish islands, a great part of Western Asia Minor, even Constantinople itself. For long the issue was in doubt. Neither ethnical nor historical grounds existed for granting Greece the whole of these great areas of Ottoman territory. Still less could all the claims be supported on the score of expediency. Other claimants too were in the field. Italy demanded the Smyrna region under the terms of the Treaty of St. Jean de Maurienne, and the Dodocanese islands on the score of being in occupation. But the Treaty of St. Jean de Maurienne had become inoperative, and the Italian claim to Smyrna based upon it was in consequence weak. However, there was no knowing what might happen, for opposition to Greek demands was strong, and the Italian demand insistent. It is familiar history that at this stage the Supreme Council took a sudden decision in the absence of the Italian members of the Council, and sent Greek troops to Smyrna. The story is that they were sent there at shortest notice in order to forestall an imminent Italian landing. That is as it may be. Greek troops were sent to Smyrna by Allied authority, with a mandate to occupy the whole sanjak, and, as there was an undoubted Greek majority in Smyrna then, there never was any question of their being withdrawn.

## The Extension of Greece

Before looking at the effect of this step upon the Turkish peace settlement, a few words should be spared to a Balkan matter, a matter bearing much upon the policy of the Allies in creating a Greater Greece.

The German-Turko Alliance which so greatly prolonged the war, and by cutting off Allied access to the Black Sea had such disastrous consequences for Russia and Roumania, was only made possible by the German-Bulgarian Alliance. By her position across all land routes between Central Europe and Constantinople Bulgaria exercised an influence upon the course of the war altogether disproportionate to her importance and military strength. She entered the war deliberately, urged by hope of military revenge upon her neighbours and the prospect of great territorial aggrandisement at their expense. The intense nationalism of the Bulgarian people, their ambition, their steadfastness in pursuit of national aims, their patience and industry, their sober intelligence, their aptitude in military organisation, their stoutness in arms, their high birth rate, all mark them out as a race with a future either of much good, or of much evil. Bulgaria had proved a most dangerous enemy to her neighbours as well as to the Entente. It was necessary to impose some curb upon her, to reduce her relative power in the Balkans without penalising her vindictively. In view of what had happened, of what might happen again, it was out of the question that an enemy so virile and dangerous should be left with easy opportunities for future territorial expansion, in areas to which she had no predominating ethnical claims. As the result of the war it was clear that both Roumania and Serbia would be greatly increased in area and population. They, then, could look after themselves. For Greece, the question of expansion was not so simple. Territory in Asia Minor and in Eastern Thrace were the only main possibilities. It was deemed essential to end Turkish rule in Europe, and to secure the Dardanelles against the possibility of again being

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closed in war. Some warden, therefore, had to be found for Turkish or Eastern Thrace, and ethnical and political considerations indicated Greece. But Greece could not hope to maintain herself in Eastern Thrace if it were separated from Greece itself by Bulgarian Thrace. A Greater Greece being regarded as a necessity on various grounds it could only be obtained by giving her Eastern and Western Thrace, the latter at the expense of Bulgaria, and by adding territory in Asia. By this apportionment Greece, like Roumania and Serbia, would more than double her pre-war population, a rough balance between these countries would thus be maintained; and Bulgaria, from being the most powerful Balkan State, would, though only slightly diminished in population, become by much the weakest. To these considerations, as much as anything else, M. Venizelos owed his success in obtaining territory for Greece at the hands of the Supreme Council.

We come now to the Greek occupation of Smyrna, which began on May 15, 1919. It was attended by events which, to the Moslem population of Asia Minor, gave it the most sinister and precise meaning. Greek troops got out of hand and murdered Moslem civilians. Active oppression of Moslems by wholesale arrests began on the day of the landing, and to oppression were added insults, to insults assurances of Greek domination in Asia Minor, now at last begun, and promises of Greek vengeance soon to follow. Exaggerated out of all proportion, clothed with fantastic details, the news spread that the Allies had turned loose a Greek army on the Moslems of Smyrna and that this was the beginning of Greek rule to be imposed, with Allied assistance, upon Anatolia. The rapid progress of Greek troops into distant inland districts confirmed the popular belief.

It is difficult to convey an idea of the feelings of the Anatolian Turk towards the Greek, even in time of peace. It is a blend of many things, in which, perhaps, the chief ingredient is a sense of superiority not mental, not altogether

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of position as belonging to the ruling race, but as something innate and personal, going to the roots of Turkish character and consciousness. A British occupation of Smyrna, or, indeed, of Anatolia, would have outraged no such feelings ; in fact, a British or American mandate over the country would have been hailed with satisfaction. But for the Greek to be placed in such a position, not by Greek efforts, but by the might of others, was beyond the limits of Turkish endurance. Put in a few words, the Greek occupation of Smyrna destroyed whatever prospect existed of a peaceful settlement of Turkish problems.

### III. THE NATIONALIST MOVEMENT IN TURKEY

FROM May 15, 1919, events moved rapidly towards armed resistance. On June 19, Mustapha Kemal Pasha, nominally on his way from Constantinople to visit his Inspectorate in Eastern Asia Minor, addressed a meeting at the little town of Khavsa, 60 miles inland from Samsun, and there revealed the plans proposed for saving the country from Greek and Allied domination. It was the beginning of the Nationalist movement. The movement spread rapidly from Erzerum in the East to Brusa in the West. Congresses were held at Erzerum, at Sivas, at which Nationalist demands were formulated. The loss of Syria, Mesopotamia and Arabia was recognised as final ; the remaining Turkish territory, however, was held to be inviolably Turkish, and subject to no partition "within Armistice limits." The local administration of Anatolia was captured, and, working through these officials, the taxes were intercepted by the Nationalists and the enrolment of troops begun. In a short time the military administration created by Mustapha Kemal Pasha restored order in Nationalist territory. Corrupt officials were summarily hanged and brigands shot, and Anatolia had a more rigorous and effective government than it had known within tradition.

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Taxes were severe, but the country has a great reserve of productive capacity, and food at least was always sufficient.

Meanwhile the Government at Constantinople had taken what steps it could to suppress the Nationalist movement by negotiation; but these efforts were futile. Nine-tenths of the Moslem population were Nationalist in sympathy, and even the Government itself contained active, if secret, Nationalists.

In February, 1920, the Nationalist bands were able to operate with success against the French, who were in occupation of Cilicia, and massacred many thousand Armenians in the same district in consequence. Without undertaking large military operations, the Nationalists maintained a steady hostile pressure against the French in this province, which told in the end.

By this time Turkish influence had been brought to bear on the Moslem population of India, and the "Indian Caliphate Delegation" was dispatched to England to urge fantastic peace terms for Turkey. Perhaps as a result of Indian agitation, the Peace Conference announced on February 16 that Constantinople should remain in Turkish hands, subject to Turkish good behaviour. It was the first concession to Islamic influence on behalf of Turkey. Meanwhile the Nationalist movement went from strength to strength. It had already decreed its "National Pact," a formal declaration setting forth its broad aims, and defining what it regarded as inalienable Turkish territory, a definition coinciding generally with the "Armistice limits" previously claimed. General elections were held in Anatolia during March; and in April a Parliament, elected as the "Grand National Assembly," met in Angora as the Nationalist capital, and, with Mustapha Kemal Pasha as President, established all the elements of a regular organised Government. It sought and obtained an alliance with the Moslem Republic of Azerbaijan in Trans-Caucasia, and, of much greater importance, made an agreement with the Bolshevik Government of Russia.



## The Nationalist Movement in Turkey

Nationalist Turkey and Bolshevik Russia had the same enemies ; both were opposed to the Western Powers, both to Great Britain in particular ; with aims in common each was able to help the other. This working arrangement with Russia was a great success for the Nationalists and was to assist them exceedingly in the future.

Nationalist military aggression in the West prompted the Allies in May to entrust Greece with the task of crushing the Nationalist forces in Western Asia Minor and Thrace. Short and brilliantly conducted operations overthrew and dispersed the Nationalist troops in both areas, and left Greece in occupation of a wider territory in Asia than had been proposed for her. One result of this campaign was that the Turkish Government at Constantinople signed the Treaty of Sèvres on August 10. But military defeat did not break Nationalist opposition, and the Greek army had to remain mobilised and hold its gains in Asia by force of arms.

In October, 1920, the young King Alexander of Greece died by misadventure. In November the unexpected overthrow of M. Venizelos and his party at the General Elections took place. In December King Constantine was again on the throne by an overwhelming majority in a plebiscite of the people.

The rejection of M. Venizelos and the restoration of King Constantine, a proved enemy of the Entente, changed the attitude of the Allies towards Greece. They closed the credits opened in her favour by them, and, before the plebiscite, made it known that if the King were returned to the throne they would reserve complete liberty in dealing with the situation. In February, 1921, the Allies, anxious to secure peace in the East, invited Greek and Turkish representatives, including Nationalists, to meet in London. But the Conference produced no settlement, for the Turks required a sweeping revision of the Treaty of Sèvres, while the Greeks were confident of holding what they had obtained.

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## IV. THE GREEK OFFENSIVE

GREECE now decided to crush the Nationalists once for all, and at the end of March moved large forces towards the Nationalist front. But in a battle before Eskishehr she suffered a heavy repulse, and her troops retreated to the positions from which they had set out. Again the Allies offered their mediation, but again Greece rejected it, after deciding on another campaign against the Nationalists. This was opened in July in great strength. After a month of severe fighting, in which the Greek armies fought with great skill and resolution, the Greek line got within 50 miles of Angora, the Nationalist capital. Here, during the end of August and beginning of September, was fought the deciding battle of the campaign, in which the Greeks failed to secure victory and were forced to retreat.

Nor were these the only Nationalist successes in arms. In November and December, 1920, a Nationalist Army, in co-operation with Bolshevik forces, overran the Trans-Caucasian Republics of Erivan and Georgia ; and the sanjaks of Kars and Ardahan, evacuated under the Armistice of Mudros, were, in consequence, again annexed to Turkey. On March 16, 1921, the Nationalist Government and the Republics of Erivan, Georgia and Azerbaijan concluded the Treaty of Kars, which recognised these territorial changes and bound each signatory State in a defensive alliance.

So far we have dealt chiefly with the resistance of Turkish Nationalists, supported by Bolshevik Russia, to the execution of those provisions of the Treaty of Sèvres which affect the Turkish State as defined by the Nationalists themselves.

This resistance, effective enough to destroy the prospect of the Treaty being executed in its entirety, had not placed the Nationalists in a position of such advantage as would

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make a radical revision of the Treaty likely. At the time of the London Conference of February, 1921, the prospects of Greece in the circumstances then existing were by no means gloomy. Some modification of the Smyrna zone and of the administration to be applied to it would have been required, but the Nationalists were in no position to stand out for a sweeping revision of the Treaty against the united will of the Allies. They would, in all likelihood, have accepted the imposition of adequate safeguards for Christian minorities in Asia Minor. The recovery of Adrianople and Eastern Thrace was not a matter upon which they would have insisted to the point of continuing the war. An extension westwards of the Turkish frontier in Europe for another twenty-five miles would almost certainly have been accepted by them a year ago.

### V. THE TREATY OF ANGORA

WE come now to an event which has increased Nationalist confidence to a positive belief that they will obtain a revision of the Treaty of Sèvres to the full extent they desire.

Nationalist prospects and ambitions underwent two great enlargements in the autumn of 1921. First, in consequence of the failure of the Greek offensive on the Sakaria; and, secondly, in consequence of the Treaty of Angora. The conclusion of this Treaty with France on October 20 of last year was, indeed, a triumph for the Nationalists of the highest importance. By her single-handed action in the matter of this unhappy treaty, France, to all intents and purposes, assured a revision of the Treaty of Sèvres to an extent exceeding Nationalist hopes. The actual provisions of the Treaty of Angora are serious enough in this direction, but of even greater moment are its implications. How grave these are is not generally understood.

It is worth while, therefore, to look more closely at this

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treaty if a clear comprehension of the present situation as between Turkey and Greece is to be obtained.

We need not be too curious regarding the circumstances in which the Treaty came about. Secrecy regarding the negotiations, or at least a strange reticence on the subject towards the British Government, was adopted by the Government of France ; uncertainty as to its full scope surrounds it as a ratified instrument. But little doubt can exist that the complete terms of the agreement have not been disclosed, or as to the fulness and gravity of its implications.

France, opposed by Nationalist Turkey, found herself in a position of difficulty in Cilicia, which further affected her administration of Syria. In Cilicia alone she had to keep upwards of 80,000 troops at an annual cost of some £12,000,000. In two years there were over 5,000 French graves in Cilicia. It was a drain of treasure and blood which the French people would no longer bear, and the French Chamber became insistent that it should cease. By sacrificing Cilicia and some 10,000 square miles of mandated territory in Syria and Asia Minor to the Nationalists, by giving them actual possession of nearly 400 miles of the Baghdad Railway, and by abandoning the protection of Christians in Cilicia and the ceded area, France obtained by this treaty immediate relief in Cilicia and Syria. But in addition she seems to have given undertakings to support Nationalist demands for the extinction of Greek sovereignty in Asia Minor, and to some extent in Eastern Thrace.

Granting that revision of the Treaty has become necessary in the interests of all, it would have been comparatively easy for the Allies, if united in purpose, to limit the changes to what they deemed expedient. They could have secured the protection for the Christian minorities which they are pledged to secure ; they could have prevented an undue extension of Turkish sovereignty in Thrace. Thus negotiations would have been backed by the knowledge that the use of Allied force to compel acceptance of

## The Treaty of Angora

these terms was in reserve. But the conclusions of the Agreement between France and the Nationalists involves that the use of Allied force will not be behind the negotiations. Nationalists know well enough that unless the Allies act together compulsion cannot be applied in Asia Minor ; they know that the Agreement of Angora means that the Allies cannot apply force ; they will therefore be able to stand out for the widest revision of the Treaty of Sèvres.

Nationalist Turkey is, for all practical purposes, already the Turkish State, and sooner or later will be in Governmental control in Constantinople. France, by securing Nationalist friendship, thus fortifies her influence on the Straits and in the capital in opposition to British influence which at present is dominant there. France has, also, a strong internal reason for gaining and retaining Nationalist and Islamic support. Northern Africa—Tunis, Algeria, Morocco—she regards, not as territorial possessions but as an integral part of France, as a southward extension of France itself. To the Moslem population of these regions she looks to make good the numerical inadequacy of her population in Europe. In the new French army now being created one-third of its total strength in war and peace is to be drawn from the Moslems of North Africa ; and of the strength in garrison in European France again one-third is to be formed of these Moslem troops. France cannot afford in these circumstances, it is said, to estrange the Moslem one-third of her population which provides a corresponding proportion of her armed strength.

Still further, France has ever regarded with disfavour the creation of the Greater Greece formed by the addition of territory in Asia Minor and in Eastern Thrace. By the conclusion of the Treaty of Angora she has in fact been able to deal a fatal blow at Greater Greece. There are, however, certain possibilities not altogether favourable to the realisation of Nationalist ambitions in Thrace. Military operations against Greece in Thrace by the Nationalists

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would not be easy ; it would a different matter from the defence of their Anatolian highlands ; it would require long preparation and large accumulations of munitions and stores. It is doubtful if the Nationalists could turn the Greeks out of Thrace by force of arms, except in the course of years. And, further, a Turko-Greek struggle in Thrace might well involve the intervention of other Balkan States, to the great advantage of Greece. An Allied or European agreement with Russia, too, would speedily change the outlook of the Turkish State and provide it with some of the preoccupations which existed before the war.

But whatever the situation may be in the future, the fact remains that at the present time, by supporting the Nationalists as she has done, and gaining their goodwill, France has secured for herself a position in Turkey comparable only with that held by Germany in 1914.

### VI. CONCLUSION

SUCH is the problem which still keeps the Near East ablaze in this the fourth year after the Armistice. The foregoing sketch will give the reader an idea of the complications and the uncertain factors which to-day make the prospect of a settlement seem further away than ever. Notwithstanding changing circumstance, however, there are certain root principles which still hold good. It is true that our aims are necessarily limited by our capacity and facts cannot be ignored, but for all that no mere opportunist policy will permanently restore peace. It is not to-day and it never was merely a matter, to use the words of a famous British statesman, of putting our money on the right horse. In the first place, there is the general question of the Christian minorities in Asia-Minor. Honour, to say nothing of humanity, requires that they should be safeguarded in any settlement that may be arrived at. In particular there is the case of Smyrna. A course of

## Conclusion

action, for which we share the responsibility, has here altered the old position, and it is impossible at this stage to put back the clock to the days before the Greek troops went there in 1919. A fair and square deal should be obtained for the Greek inhabitants, under which some effective form of autonomy would be secured them.

Secondly, there is Europe. An attempt at this time of day to re-open boundary questions would be tantamount to sending the fiery cross round the Balkans. After all, too, the Greeks were our allies in the Great War. But, apart from this, it long ago became an accepted rule of European policy that ground lost by the Turk on this continent was lost to him for ever. In matters such as these we should be slow, indeed, to depart from the wisdom of our fathers.

## THE INDIAN PROBLEM IN EAST AFRICA

*This article and another dealing with the Indian Problem in South Africa, which appears on a later page of this number, are of peculiar interest in view of the resolution which was adopted, South Africa dissenting, at the meeting of the Imperial Conference held in London last summer.\* There is at this moment a deputation from the East African British settlers in London. The article that follows is contributed by a writer who is personally acquainted with prevailing conditions, both in Kenya Colony and in India. The arguments and the statements contained in it are the writer's, and THE ROUND TABLE is not responsible for them.—EDITOR.*

### INTRODUCTORY

THE difficulties caused by difference in race and religion, far from subsiding as humanity progresses, seem only to become accentuated by time. When the universal terror inspired by the megalomaniac schemes of the German Emperor and his war party bound nation to nation, religion to religion, and class to class, it was firmly

\* The Conference, while reaffirming the resolution of the Imperial War Conference of 1918, that each community of the British Commonwealth should enjoy complete control of the composition of its own population by means of restriction on immigration from any of the other communities, recognises that there is an incongruity between the position of India as an equal member of the British Empire and the existence of disabilities upon British Indians lawfully domiciled in some other parts of the Empire. The Conference accordingly is of the opinion that in the interests of the solidarity of the British Commonwealth it is desirable that the rights of such Indians to citizenship should be recognised.



## Introductory

believed that men would return from the trenches broader in mind and with kindlier feelings towards each other. It was hoped that those who had seen the heights of nobility and self-sacrifice, to which men of all types had risen in the face of a common danger, would renounce their inherited antipathies, and would strive together to make the world a better place to live in.

On the cessation of hostilities it seemed as though this ideal was in process of fulfilment. The relief after more than four years' warfare, with all its horrors and misery, produced an optimism which was reflected in idealistic schemes for the realisation of self-determination and national liberty, combined with wild extravagance on the part of both Governments and individuals. There were not a few who pointed out the folly of trusting to a continuance of this happy state of affairs, and warned us that a bad time must come and that shortly. We refused to listen to reason. Nations large and small were promised complete liberty to manage their own affairs without let or hindrance, quite irrespective of the question whether they were capable of doing it, or of whether they could be trusted to live up to the noble sentiments uttered by those who spoke for the Great Powers. Germany, Austria, and Turkey were, for their crimes, to be humbled to the dust, regardless of the fact that, however natural the feelings of those who cried out for punishment might be, any attempt to enforce the crushing terms imposed was bound to lead to further resentment and to increase the difficulty of restoring sound financial conditions.

President Wilson's "fourteen points" were doubtless nobly conceived: as well as Lloyd George's references to the rights of small nations struggling to be free. Yet what has come of it all except the imposition of fresh responsibilities, for which staggering taxation has to be borne, and the raising of extravagant hopes in the minds of various nationalities, which are now found difficult, if not impossible, to fulfil.

## The Indian Problem in East Africa

In this great upheaval no country has been so stirred by the recent changes as India. It is immaterial whether we consider her fit or not for self-government: whether she is a nation, or merely a congeries of inharmonious elements. The fact remains that she has been stirred, as she never was before, by a self-consciousness which is bringing forth manifestations hitherto undreamed of, and which must fill every thoughtful mind with grim forebodings.

The problem with which this article is concerned is not, however, the effect of the treaty of Sèvres on the Indian Mahomedan with his fears for the Khilafat, or the demands of the extremist party as put forward by Mr. Gandhi and his followers, but the claim of the Indian to absolute equality, social, political, and economic, in the British Colonies.

It must be recognised that, in itself, this demand is neither unnatural nor unreasonable, nor is it confined, or likely to be confined, to India alone. So long as the East and West with their different modes of life and ideals were kept apart by time and distance, they could meet as friends, and mutually ignore, or tolerate, each other's point of view; but with the advent of steam and electricity the situation changed. The West began to domineer over and to exploit the East. The need of fresh outlets for trade and of space for surplus population drove the West to utilise the newly discovered forces, against which the East, still clinging to her old traditions, was powerless.

Japan was the first country to realise the threatened danger, and, thanks to her geographical position, the homogeneity of her population, and an unexampled patriotism, she had, before the close of the nineteenth century, been able to raise herself to the position of a first-class Power, which could make its influence felt in the comity of nations.

We can hardly wonder, particularly when we bear in mind the lines on which we have ourselves educated her, if India has drawn inspiration from Japan. Though she would

## The Indian Question in Kenya Colony

resent any attempt on the part of that Power to exercise authority over her, she has a desire to follow in her footsteps and is quite oblivious of the essential differences between them.

In no form has this national self-consciousness manifested itself more strongly than in the revolt against the stigma of inferiority assigned to Indians in the outer world, and especially in the British Colonies. The recollection of Mr. Gandhi's activities in South Africa is still fresh, and the recent protests against the attitude of the Government in Fiji, South Africa, Canada and elsewhere show that the agitation, far from dying down, is rapidly increasing. Unless, indeed, some satisfactory solution is found, it is likely to become a perpetual menace to good relations.

### I. THE INDIAN QUESTION IN KENYA COLONY AND ELSEWHERE

**I**N Kenya the Indian question has lately assumed a very serious aspect, and though, since the return of Sir Edward Northey, the Governor, from England, both parties seem to have become slightly less intransigent, the situation is far from satisfactory. It must not be forgotten that, whatever arrangement is arrived at, it is bound to affect our other African possessions. In Natal the position is already acute; in the rest of the Union almost as bad; and if the question is less urgent in Rhodesia and Nyassaland, it is only because few Asiatics have as yet made their way there. The problem is further complicated by the fact that Tanganyika, formerly German East Africa, is now a mandated territory, and therefore not governed on the same lines as a colony. Taking advantage of this fact, the Indian has already acquired a large amount of property there.

It must seem strange, to those who have not come into personal contact with the problem, that so much feeling

## The Indian Problem in East Africa

should be aroused over the entry of people who are in the main of a quiet and peaceful nature. Yet, in reality, the reason is simple. The issue has become obscured by the idea of colour, when it is essentially an economic question. Though the majority of Indians are dark brown in hue, many, particularly in Northern India, are quite as fair as the average Southern European. The Japanese and Chinese, moreover, are neither brown nor black, and yet the same objection is made against their unrestricted entrance into so-called "white" countries.

The basis of the whole trouble is due to the essential differences between Eastern and Western social customs, modes of life, and, in consequence, standards of living. In India, though a rich man may lavish large sums on motor-cars, jewellery and similar luxuries, he will probably, unless he has adopted the style of life of the Englishman, spend next to nothing on food, dress or the adornment of his home. An Indian of the highest class will live in what to him is perfect comfort on a sum which would spell poverty to a European. He cares surprisingly little for what most English men and women would regard as essential for a comfortable home, and the exceptions who have adopted Western habits and customs only go to prove the rule.

Now if this is the case with the higher ranks of society, it can easily be understood how little it costs those in a lower station of life to exist. There is an expression that an Indian can live on the smell of an oil-rag, and though a vulgar one it forcibly illustrates the economic fear caused by the competition of the Oriental.

It is, however, difficult to appreciate the Indian question in our newest colony without some idea of its history and its physical conditions.

# Physical Conditions of Kenya Colony

## II. HISTORY AND PHYSICAL CONDITIONS OF KENYA COLONY

**K**ENYA, or British East Africa, comprises an area of, roughly, 240,000 square miles, which lies on the Equator. It stretches from Mombasa, on the coast, to Kisumu, on the shores of Victoria Nyanza. On the south side it is conterminous with Tanganyika, formerly German East Africa, while to the north lie Somaliland, Abyssinia and the Soudan. Its population is very sparse, and appears to be even smaller than it really is, as the natives are, in the main, confined to their "reserves." According to the census taken in June last year there are 9,651 Europeans, 22,822 Indians, and from two and a half to three million natives.

Until about thirty-five years ago the country was practically unknown. A certain amount of trade had for centuries been carried on through Mombasa by "slavers" and others. The great Arab traveller, Ibn Batuta, records that the place was a flourishing Moslem seaport in 1331. When Vasco da Gama visited it in 1498 it had become the seat of a considerable commerce, and its inhabitants included a number of "Calicut Banyans and Oriental Christians." The Portuguese held it at various times in the seventeenth and eighteenth centuries, but they were finally driven out by the Arabs about the end of 1729. The port did not come into possession of the British till the Anglo-German Agreement of July 1, 1890, when, in return for the cession of Heligoland, Germany, amongst other things, agreed to withdraw the protectorate she had declared over Witu and the adjoining coast as far as Kismayu in favour of Great Britain. The Imperial British East Africa Company had already obtained its charter on September 3, 1888, but financial considerations compelled it to hand over the country to the Imperial authorities; and in 1895 it became a Protectorate. The so-called Uganda Railway was commenced in 1892, but did not finally reach the great lake

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till nine years later. While, for centuries, a certain number of Indians from the west coast of India have had commercial dealings with Mombasa, they never did any pioneering work or exercised any influence or sovereignty either over the town or the hinterland.

The country largely consists of an elevated plateau, which, in spite of Mr. Winston Churchill's strictures, is eminently suited for European colonisation, especially the portion known as the "White Highlands."

Almost immediately after leaving Mombasa the railway begins to ascend, and in a few hours the traveller finds himself at an altitude of 4,000 ft., and well out of the sticky atmosphere of the coast. At first the scenery is mainly thorn bush interspersed with baobab trees, but further on the train enters wide, grassy plains, with numerous hills, over which roam herds of antelope and other game. Nairobi, the capital, is at the western end of the famous Athy Plains, and is 5,500 ft. above the sea.\* It is not an ideal spot, and would probably never have been selected but for the fact that for some time it was the railway terminus. The town is spacious and well laid out, but the buildings are of a very heterogeneous kind. While many would not disgrace a thriving European city, others alongside of them are little more than tin sheds, making a curious conglomeration.

On leaving Nairobi the railway enters the "White Highlands," reaching its highest point at Mau Summit (8,000 ft.), after which it gradually descends until it arrives at Kisumu, on the Kavirondo Gulf of Victoria Nyanza. These uplands are very beautiful, being a medley of rolling plains, hills and valleys, forests and parkland. Rivers are few, probably owing to the volcanic nature of the country, and in consequence much of the rainfall finds its way underground; but there are many lakes, several of which, like Naivasha, Nakuru, Elementeita and Baringo, are very

\* Johannesburg, in South Africa, is 5,500 feet above sea level.

## Physical Conditions of Kenya Colony

extensive sheets of water. Unfortunately, the water in most of them is alkaline, and this, together with the absence of rivers, makes irrigation difficult. In spite of the fact that the sun is practically directly overhead, the climate is delightful. Though the solar rays are dangerous if one is not protected by a good "topi" or "tarai" hat, one can remain out of doors all day long, and the nights are almost invariably cool, if not cold. Malaria and most tropical diseases appear to be rare; and, altogether, it is a land in which an Englishman can hope to rear and bring up his children as well as in other temperate countries.

All kinds of European and semi-tropical products, such as coffee, flax, wheat and maize, thrive in these uplands; while, on the coast and around the great lake, cocoanut, rubber, rice, sisal and sugar do well. Fruits of all kinds could be extensively grown, and the development of a great canning industry looked for, were it not for the lack of communications and the consequent difficulty of finding a market. Roads, as understood in most civilised countries, are almost non-existent; and with the exception of two short branch lines to the Soda Lake at Magadi and the coffee country round Thika, there is only the main railway from Mombasa to Kisumu. Fortunately the new loan has enabled the branch from Nakuru to the Uasin-Gishu plateau to be commenced. This will tap some of the finest agricultural country in the colony, and should go a long way towards meeting the transport difficulty. The railway charges, however, are excessive, and until they are reduced and the deep-water pier constructed at Kilindini, it is impossible for Kenya to compete in the world's markets. The stock farmer has many difficulties to contend with in the shape of rinderpest, pleuro-pneumonia and East Coast fever. Owing possibly to the lack of iron or phosphates, certain areas seem unsuitable for cattle or horses, which thrive in neighbouring districts. While the highlands are undoubtedly better suited for Europeans, it is possible for the white races to live and settle permanently

## The Indian Problem in East Africa

anywhere above 4,000 ft. Such is the land which Englishmen have taken up and developed in the last thirty-five years; a land with immense possibilities—so immense that it is difficult to appreciate them—and one which it would be a crime, not only against those who have already staked their fortunes there, but against all the future generations of the Empire, to allow to pass from it.

### III. THE PROBLEM IN EAST AFRICA

THE problem that faces us in East Africa is by no means a simple one. Unfortunately race hatred and intolerance on both sides have been allowed to obscure the main issues, which are chiefly economic and sentimental. Certain leaders of both parties have, moreover, on more than one occasion made use of expressions which not only can do no good, but have further exacerbated the feelings of the more ignorant and less balanced minds.

The present situation is of recent growth. Until the war the racial question was not much in evidence. People from India, tempted by the high rates of pay, were eager to cross the water. They had no intention of making the land their home, and even now few appear to think of doing so. They save all the money they can, and remit it to their own country, to which they hope, sooner or later, to return themselves. From an economic point of view they are, therefore, regarded as of little use to the colony.

With a few minor exceptions the Indian community consists mainly of shopkeepers, artisans and clerks, with a sprinkling of lawyers, doctors and other professional men. In Mombasa and Nairobi there are some fairly large business houses, but the majority of the mercantile community are petty traders. Practically all carpenters and mechanics—fundies, as they are called—are Indians, principally Sikhs from the Punjab and Hindus from



## The Problem in East Africa

Kathiawar. Most of the merchants are from Bombay, while the clerks, railway subordinates and the like are almost entirely from Goa and Western India. In fact, with the exception of the Sikhs, it is rare to meet any one from "up country" or Bengal.

Though Indians from the west coast of India have traded with Mombasa since the fifteenth century if not earlier, they never, so far as is known, penetrated into the hinterland, and their trade with it was carried on through slave dealers and other desperadoes. When, however, the railway was commenced, the labour difficulty compelled the authorities to import a number of coolies, clerks and contractors. Though the higher positions were held by Europeans, most of the subordinate posts were in the hands of Indians. The greater part of the coolies were repatriated after their services had been dispensed with, but many contractors and others who made large profits settled down in the country as traders, and now own considerable property.

### *The Equal Rights Movement*

The movement for equalising the status of the Indian started during the war, when practically the whole white population was on active service. The proportion of Europeans who joined the forces was probably higher than in any other part of the Empire. Many a woman—often without a single other white person except her children within miles—ran her husband's farm for practically the whole campaign. Reference will be made later to the corresponding number of Indians who joined His Majesty's Army, but the actual result was that, while the latter were often making large sums of money as contractors and in business generally, the former risked everything, and in almost every case lost heavily.

The idea of India having colonies of her own was suggested soon after the armistice. Sir Theodore Morison, formerly principal of the Mahomedan College at Aligarh,

## The Indian Problem in East Africa

advocated handing over Germany's East African possessions to her. Others proposed Mesopotamia. How persons with an intimate knowledge of Indian life and character, like Sir Theodore, could have contemplated India being able to shoulder this responsibility, to which few nations have found themselves equal, must remain an enigma. Certain it is that no enthusiasm for the scheme was shown either by the public or by the Press in India. It is far from improbable, however, that this idea has had some influence on certain of the leaders connected with the present agitation.

This question of equality of status for Indians in East Africa is not an isolated one. The difficulty exists in all the Colonies, but the reason so much importance is assigned to it here is that Kenya is the "Achilles' heel" of the problem. Though theoretically and constitutionally the Dominions are subject to the control of the Mother Country, in practice no British Government would to-day dream of attempting to enforce its wishes or risk a repetition of the American War of Independence. Anything like dictation, as Mr. Sastri, who so ably pleaded his country's cause at the last Imperial Conference, was quick to realise, would be an impossibility. What Kenya fears is lest, the self-governing parts of the Empire being free to act as they like, an attempt may be made to compel the Crown Colonies and Protectorates to throw open their land to all, irrespective of race, whether they consider it to be to their advantage or not. This fear may be utterly unreasonable, but it undoubtedly exists, and it is natural that men whose numbers are few and who are "up against it" in an undeveloped country should have it. Can they be altogether blamed if they are alarmed lest they, and all that they hold dear, may be thrown as a sop to meet what they regard as a political exigency?

The movement for "equal rights" was undoubtedly fanned by the general world unrest and by the influence of agitators in India. It eventually assumed such serious

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proportions that a Commission was appointed to consider the subject in all its bearings. In August, 1920, Lord Milner, its president, published a despatch in which he enunciated a policy which, though it did not entirely meet the wishes of the settlers, was tacitly accepted at the time to avoid discord arising from the aftermath of war. The points in the "Milner Policy" to which great exception is taken by the Indians are :—

(a) The recognition of the right of occupation of the reserved portion of the Highlands by Europeans to the exclusion of Asiatics.

(b) The limitation of the right of Indian representation on the Legislative Council to two members, elected on a communal franchise.

(c) The upholding of the principle of segregation.

Against this the Indians now insist on absolute equality with the Europeans, and, to ensure it, they demand :

(a) The right to hold any position, however eminent, in the Civil Services and local military forces.

(b) The right to equal representation with the European on the Legislative Council on a common franchise.

(c) The right to acquire land in the hitherto reserved portions of the Highlands.

(d) The abolition of the principle of segregation.

(e) The right to penetrate the country in unrestricted numbers.

The claim that Indians were the first to settle in the country has already been shown to be incorrect, except as regards Mombasa. A letter recently appeared in the *Pioneer* referring to a statement said to have been made in the Indian Council of State at Simla on September 22 last year, that "Indians have been known to be trading with Zanzibar and East Africa as far back as the beginning of the Christian era." In it Mr. Blayden Taylor, of Kikuyu, Kenya, wrote as follows :—

As a resident in Kenya of some twenty-three years, let me tell Mr. Lallbhai Samaldas that, prior to the advent of the European and construction of the Uganda Railway, no Indian was seen beyond the island of Mombasa, none crossed to the mainland, much less did they penetrate to the highlands, opened up and now occupied by Europeans.

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Will the Hon. Member, or indeed any Indian, give the name of any Asiatic who claims to have seen Nairobi, the capital, before the Uganda Railway brought him there?

In putting forward their claim on the ground of the military aid rendered by India, it is difficult to follow the Kenya Indians' reasoning. That the martial races of the Punjab and elsewhere furnished numbers of troops to the Allied cause cannot be denied, and it would be base ingratitude to do so. Neither should we belittle the large monetary contributions which came in various forms from the Indian public, and the great chiefs and capitalists. But the East African immigrants may surely be asked to show what their own efforts were, if they want to make good their case. It has not been possible to discover what was actually contributed in money or material by the non-European in Africa, though it may have been considerable, but the following statement, which has not so far been contradicted, has been given in a recent "Memorandum" by Lord Delamere and Mr. C. K. Archer, the chairman of the Convention of Associations of Kenya:—

Without wishing to disparage the achievements of the fighting races of India, under the leadership of English officers, it should be pointed out that the war record of the local Indians is not one of which they can well be proud. The adult male Indian population of Kenya, Zanzibar, Uganda and Tanganyika during the war is believed to have been about 20,000, and of these 1,383 became members of the Forces. Of this number only 376 were combatants, the remainder being employed as clerks, transport drivers and sweepers (scavengers). The large majority of the 1,383 Indians who served were automatically absorbed into the Forces by reason of the Department in which they were employed—*e.g.*, the Uganda Railway—being made subject to Martial Law.

The casualties suffered by local Indians were :

Killed..	..	..	..	..	..	..	nil
Died of wounds	..	..	..	..	..	..	nil
Wounded	..	..	..	..	..	..	nil
Executed for treachery	..	..	..	..	..	..	5

(the death sentence in three other cases being commuted).

The local Indian during the war was notorious for his efforts to avoid military service.

## The Problem in East Africa

One really strong point that the Indian can put forward is his fellow-citizenship, and in pressing this he is on firmer ground. The difficulty here lies in the fact that, while heretofore a large majority in India were perfectly satisfied with British rule and ready to remain under it, or, indeed, under any rule that allowed them to carry on their avocations in peace, a portion of the *intelligentsia* is now demanding self-government. The "Moderate" party maintain that all they desire is to be allowed to be masters in their own house to the same extent as Canada or Australia. On the other hand, the Extremists insist on "Swaraj." What "Swaraj" really means to most it is almost impossible to find out. Even Mr. Gandhi himself is most nebulous on this point. The question here is, however, rendered more difficult by the state of things in India, where certain more fanatical elements are now openly preaching that British rule must go and that, if necessary, violence—in other words, rebellion—should be resorted to to accomplish their aims. The recent speeches of Maulvi Abdul Badayani, Mr. Azad Sobhani, and Mr. Hasrat Mohani at the Khilafat Conference held at Ahmedabad just before Christmas, coupled with the non-co-operators' very successful efforts to boycott the Prince of Wales, have roused the feelings of the British all over the world, and nowhere more than in the Colonies. The comments in the *East Africa Standard* and the Nairobi *Leader* show the resentment felt by the settlers; and if Indians wanted to make things difficult for their brethren in Kenya, they could hardly have chosen a better way of doing so. It is much to be regretted that attempts to find a *via media* should be frustrated by such tactics. Much wild talking in the colony itself has done an infinity of harm. The settlers themselves are by no means guiltless in this respect, but the quotation ascribed to Mr. Mangal Dass, one of the Indian leaders in East Africa, is such an act of folly that one cannot conceive how anyone claiming a position of responsibility could have made it. In the "Memorandum" signed by Lord

## The Indian Problem in East Africa

Delamere and Mr. Archer, to which reference has already been made, this gentleman is reported to have said at a mass meeting of Indians at Nairobi last July: "When we get self-government in India, we too can bring our cannons and rifles and fight for our rights in this colony." When, further, the local Indian paper voices its approval of the following telegram from Marcus Garvey, President of the International Congress of Negroes at New York, to Mr. Gandhi: "Accept best wishes from 400,000,000 negroes, through us, their representatives, for the speedy emancipation of India from the thralldom of foreign oppression. You may depend on us for whatever help we can give." Is it to be wondered if the settlers, many of whom live with their wives and little children in isolated spots, are filled with apprehensions about the possible effect of such speeches and writings on the native mind? The dismay and resentment caused by such things as have just been mentioned is so great that it is very difficult to get the average settler to examine the question of the Indian grievances calmly and dispassionately. They cannot be got to see that the easiest way to secure their own interests is to meet the Asiatic fairly in his claim for improved status.

### *Right to Serve in Civil Service and Military Forces Claimed*

The first demand, namely the right to hold any position, however eminent, in the Civil Service and the local military forces, is one which it is necessary to look into somewhat closely. It has to be remembered that, though the natives are not numerous compared to the area of the colony, the settlers, both English and Indian, are in an insignificant minority. Nothing but the belief that swift and certain punishment would follow a raid makes it safe for the European to live in isolated places as he so often does. The late war by no means improved the white man's prestige; and it is a thousand pities that the British and

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German Governments did not mutually arrange to respect each other's African possessions. A white man is a white man—no racial distinction is possible for the savage—and the sight of first one side and then the other being defeated with the aid of black troops destroyed much of the old belief in our invincibility. It is therefore a matter which cannot be left to chance to ensure that our magistrates and military officers are persons who can manage members of a lower civilisation and make themselves respected and obeyed. No one who knows both the Indian, as he is seen in East Africa, and the African himself, could for one moment imagine that the latter would submit to be disciplined by the former. It may be said that officers might be selected from the military classes; but, with the exception of a few Sikhs, practically none are to be found between Mombasa and Kisumu; and where in history is there any evidence of such persons leading members of any race except their own? It may be that in time to come, with more experience, a beginning might be made, but that time has certainly not yet arrived; and no European, and, for the matter of that, no Indian outside Nairobi, would submit to any change in the present type of official personnel. The demand for equal opportunities in the services may sound very reasonable to those who live in a safe and civilised country, but people whose lives depend on a firm administration are not prepared to risk an experiment in response to sentimental idealism. Let those who imagine that in East Africa one man will do as well as another read *John Boyes, King of the Wakikuyu*, edited by G. W. L. Bulpett as late as 1911. It will give some idea of the type of native that one has to deal with, and what would probably ensue if a weak or timorous rule were to be introduced.

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## *Claim to Equal Political Franchise*

In his second demand, for equal political franchise, the Indian has very truly pointed out that in England no distinction of colour, race or creed is allowed to exist. He is inclined, however, to ignore the fact that even in Europe the right to vote is hedged about by various limitations. The principle of equality of citizenship is a good one so long as theory is not allowed to override practical difficulties. The request for universal manhood suffrage at eighteen, or even at twenty-one, would, as their leaders admit, give the Asiatics an absolute majority. Further, if the franchise were on a common basis, it would mean that the Europeans would be swamped. It has already been shown that, at present at any rate, the actual government of the country must, for reasons already given, be in European hands, so that the adoption of such a franchise would result in policy being dictated by the Indian, while its execution would be left to the Britisher. Again, although political rights for the former are undoubtedly desirable, so long as Kenya continues to be a colony of the Empire, the chief power must remain with England. Fortunately, it would seem that efforts are being made to meet the Indian claim; and, from telegrams that have appeared in the Press, the Asiatics, apparently acting on the advice of the Indian Government, have agreed to accept four seats on the Legislative and one on the Executive Council. Presumably two of the former are to be allotted to Mombasa and two to Nairobi. If so, it is likely that a request for a fifth will be made to represent Kisumu, where Indian interests are considerable.

## *Right to Acquire Land in White Highlands*

It is in his third demand, the right to acquire land and property in the "White Highlands," that the Indian finds himself up against the strongest opposition on the part of the settler. The latter bases his case on the pledges of



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Lord Elgin and his successors, while the former points to the Queen's Proclamation after the Mutiny, in which it was stated that neither colour, race, nor creed should form a bar to any of Her Majesty's subjects. He maintains that no matter what promise may have been made to the English farmer, neither it, nor the fact that the Indian made no protest at the time, can alienate his rights as a British citizen. Nor will he accept as an alternative that a separate area should be specially reserved for him. His objection is that such treatment does away with racial equality, and he states that, even supposing land of greater value were to be assigned, he would not accept it, as by doing so he would be acquiescing in a lower status.

It is most unlikely that, if the right to enter the Highlands were conceded, there would be any appreciable effort on the part of the Indian to farm or develop the country. In the first place, he is not a farmer in the Western sense. The large landowners, or zemindars, in India rarely cultivate the land themselves, but let out their property to tenants, from whom they receive rent. Secondly, even if they did attempt to farm, it is very doubtful if they would be able to manage African labour, which is very independent and lazy, and needs a large amount of tact and firmness. It is true that down on the coast and near Kisumu Indians have taken to cultivating sugar and other crops, but the conditions there are much more suitable for them than at higher altitudes.

The settler is very unwilling to give way on this point. He is afraid, among other things, of the importation of diseases such as cholera and enteric should Asiatics be allowed to bring over their countrymen, and settle them in the uplands on the Indian system. A European going to East Africa for the first time is horrified at the casual way in which people drink from any stream they come across. The reason that no ill-effects ensue is that the population is not only very limited, but mainly confined to the "Reserves." In consequence there are hardly any villages on the banks

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to contaminate the rivers. The African village, moreover, is not only small, but usually very clean compared with its Oriental counterpart. Should Indians of the lower classes get a footing in any numbers on the uplands, the Europeans fear lest insanitary habits should introduce diseases from which at present the country is fairly immune.

Lastly, there is the grave danger of the spread of rinderpest, East Coast fever, and pleuro-pneumonia. It is hard enough now to prevent their extension, as the native is most careless in this respect. It is only because the settlers themselves are ready to co-operate in every way with the authorities in maintaining very stringent laws that the danger is kept within bounds. They are not unnaturally afraid to admit others who might not be so ready to fall in with the great inconveniences, and often real hardships, which have to be submitted to in the common interest.

In his demand for the abolition of segregation, the Indian is again affected chiefly in his national pride. Unfortunately, as anyone can see who goes into the Indian bazaars at Nairobi and elsewhere, and compares their condition with that of the European quarter, the houses and the surroundings of the former are filthy. Even in the main thoroughfares of Bombay one may see children, and even adults, using the streets as a public latrine, without anyone raising a protest, and in Nairobi the refuse and dirt in some of the meaner lanes is appalling. At the same time it must not be forgotten that the Indian upper classes do not live in this manner, and they not unnaturally resent being compelled to reside in such localities. It would be just as reasonable to expect an English gentleman from the West End to make his home in Seven Dials. Indians maintain that much of the dirt is due to the neglect of the municipalities, and that they have not the same incentive to be clean as their "white" neighbours. On the other hand, the native and the Somali quarters are much more tidy than the Asiatic. Great objection is also taken to the endeavour to prevent Indians holding shops in the main streets. As

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not a few first-class establishments are already to be found in Government Road, which are certainly in no way inferior to those belonging to Europeans, it is difficult not to sympathise with this grievance. The same is also true in Mombasa. Under these circumstances, it would seem that a hard and fast rule of racial segregation is not so much needed as one on hygienic lines. If all persons inhabiting a certain area were compelled to live under the sanitary conditions that hold good in European countries, undesirable establishments of every class could be eliminated without any just cause of complaint.

### *Right of Free Immigration*

Lastly, the Indians demand the right to enter the country in unrestricted numbers, and any limitation which does not apply to all alike is not unnaturally regarded as a racial slight. What the colony requires is that no one, no matter what his nationality may be, who is likely to be a burden on the community should be allowed to enter. At the present moment there are many people, not necessarily Asiatics, who would be much better if sent back to their own land, and who have to be maintained at the expense of the public. If a fairly high immigration tax were to be levied on everyone who wants to enter British East Africa, it would keep out all those who are not likely to find employment, and, at the same time, the money so obtained would help to relieve the present financial embarrassment.

### *Summary of Question*

The Indian question, therefore, resolves itself into four main points :—

(1) The absolute equality of each race : The Indian bases his claim to this on sentimental and theoretical grounds. The Englishman protests, because he fears that, if it should be granted, it would mean that the country

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would be governed by a majority which would not be of his own countrymen. The Indian complaint of under representation has, however, it would appear, recently been to a large extent met.

(2) Segregation : The European demands seem reasonable, and indeed necessary, provided that the restriction on living in certain areas is not based merely on racial grounds.

(3) The right to acquire land in the " White Highlands " : Against this claim the European takes a firm stand. He maintains that not only was this part of the country promised him by former Colonial Secretaries without any objection being raised by the Indian, but that this particular privilege has been used to induce a number of soldier settlers, who cannot now retrace their steps, to leave their own country.

(4) The right to penetrate the country in unrestricted numbers : An answer to this, which should satisfy both parties, would be to demand a heavy tax on all who enter the colony, as is done in the United States, Canada, and elsewhere.

### IV. THE NATIVE STANDPOINT

**F**INALLY we have to consider the question from the point of view of the original inhabitants of the country.

In Uganda, where the missionary has carried on his work for a considerable period, the natives are more advanced. There is, in fact, a kind of Young Men's Association there ; but in East Africa the people, with possibly a few individual exceptions, are absolute savages. Although, moreover, they are on the whole a cheery, good-tempered lot, they are not to be relied upon ; and were it not for the strong arm of the British, old feuds and inter-tribal strife would at once break out, involving outlying farms and their inhabitants in the danger of massacre.

## The Native Standpoint

How far the statement in the "Memorandum" that "one regrettable feature of the Indian campaign in Kenya is that they are engaged in stirring up disaffection among the native tribes" is true it is difficult to say. If this is really the case, it can only be described as criminal madness, and anyone proved to be guilty should be summarily punished and forthwith deported. The African has practically no definite religion, beyond a fear of spirits and the medicine-man, and he seems to be very easily converted either by Mahomedan or Christian missionaries. It is easy to see that, unless great care is taken, his mentality being what it is, grave danger may arise from his becoming inoculated either with Pan-Islamic or Pan-Negro doctrines.

The general treatment of the native by the European is undeniably good, and the demeanour of the African in the presence of the white man does not suggest any antipathy—rather the reverse. Isolated cases of harshness may occur, but four months' careful observation gave the writer no indication of anything but excellent relations between the two races. Almost all the settlers, though they look upon the native as a most difficult person to induce to work, regard him with genuine liking. It was most unfortunate that, owing to the substitution of the two-shilling florin for the one and fourpenny rupee, wages had to be universally reduced, causing a certain amount of suspicion; but where the reason was tactfully explained, the majority of natives acquiesced without a murmur. Many settlers and their wives maintain little schools for the men and children on their estates, doctor them when sick, and help them to adjust their quarrels. This state of things is not found where the Indian is concerned.

Some eight months ago a native meeting was arranged by an educated Kikuyu, "one Harry Thuku, the secretary of the Kikuyu Association, and, incidentally, an ex-convict for the crime of forgery. Several days prior to the meeting, Thuku and one or two of his native associates were entertained at tea by certain of the Indian agitators, and, under

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the promise of a free trip to India for Thuku and his friends, the text of the resolutions and the cable reporting them was drafted by Indians then present." Within a fortnight the paramount Chief of the Wakikuyu called a meeting of the sub-chiefs and headmen at which they repudiated Thuku's resolutions, dismissed him from his position of secretary, and affirmed their loyalty to the British.

Statements that the Indian cheats the native and has been responsible for the introduction of various sexual diseases are very generally made. How far they may be capable of substantiation is a matter for careful inquiry. The appearance of plague, however, in the Kikuyu country would seem to be definitely traceable to Asiatic immigrants, as the European is practically immune.

In view of the fact that, whatever may be the excuse, the native has been dispossessed of his land by European and Indian alike, any reference to a "noble mission" or a desire to train the negro for self-government will probably be received with a cynical smile, and may lead later to grave misunderstanding. Yet there is no doubt that, at bottom, the Englishman does want to do his duty by the African. If there were no other reason, gratitude to the 600,000 men who enabled us to carry the war against the Germans to a successful conclusion, and of whom at least 10 per cent. perished on active service, should induce us to do all in our power to prevent him from regretting the advent of the white man.

### V. CONCLUSION

**A** LESSON which has to be learnt if a terrible conflict between East and West is to be avoided is to abstain from any semblance of racial arrogance. The attempt to maintain a position of advantage in the struggle for existence is understandable, but to base it on the ground of colour can only lead to bitterness.

## Conclusion

Sir Valentine Chirol has hit the nail on the head in his latest book, *India Old and New*. He is not, of course, referring to Kenya, but his words are applicable wherever the Empire brings different civilisations into contact.

It is not, indeed, the future of India alone that is at stake. If we look beyond India to the rest of the great continent of Asia, and beyond our own Empire to the great American Republic with which we have so much in common, recognition or denial of racial equality lies close beneath the surface, where burning questions still threaten the world with war. The British people have made in India the first bold attempt to rob the issue of its worst sting. If we persevere and can succeed we shall not only strengthen immeasurably the foundations of our far-flung Empire, but we shall play an immeasurably useful part in averting a world danger. For the British Empire with its Western and Eastern aspects, with its great Western democracies and its Oriental peoples more advanced than, and as gifted as any Asiatic people, seems to-day to be providentially so constituted that it may act more effectively than any other power as a link between the great Western powers of Europe and America, between the races and the civilisations which they represent.

# UNITED KINGDOM

## I. CURRENT POLITICS

### *The General Election Controversy*

THE New Year opened in England with every promise of that sort of domestic political crisis which is the breath of life to party journalists and party agents. There was a lull for the moment in the progress of the two external conferences which had overshadowed the autumn. A definite and unexpected stage had been reached in the settlement with Ireland. Washington, after the first decisions about disarmament, had petered out in a long uninteresting series of negotiations over the Far East. The greatest problem of all, indeed, was still with us, in the search for a permanent agreement on Reparations and the reconstruction of the economic life of Europe which depends upon it. But the Reparations problem had been with us so long that it had become like a never-ending serial story, and the Prime Minister had left for Cannes to write another chapter in it, when the hubbub suddenly broke out behind him.

Was there, or was there not, to be an immediate dissolution of Parliament when he returned? The question was debated at first as a sort of Christmas season alternative to an Oxford heresy-hunt or the feeding of schoolboys. Then the debate became positive and acrimonious. Mr. Lloyd George, it was said, was certainly meditating a general election in February, when he would have Ireland and Washington (for what they were worth) to his credit, but would not yet have faced either an unpopular Budget



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or some equally unpopular economies. An abundance of promises, no doubt, would carry him over that uncertainty. He might count in all probability on securing another five years of office, and his Coalition would be reinstated before it was necessary to come to serious grips with such delicate opportunities of schism as the Liberal predilection for Free Trade or the Conservative clamour for the reform and rehabilitation of the House of Lords. Could opportunism sink to lower depths? Was there ever a more astute and reprehensible manœuvre? Very few voices, at all events, were raised in its defence. Every device of newspaper propaganda was enlisted to prove its deep unpopularity. The "unwanted election" was placarded broadcast on posters and headings. Leaders of commerce and industry were invited to testify with one accord that a political upheaval, always disturbing to their special interests, would be peculiarly disastrous in February. Finally the officials of the Conservative wing of the Coalition itself joined in the hue and cry, and Sir George Younger, the chief party manager, openly foreshadowed the secession of a large number of his flock if the project of an immediate dissolution were adopted.

This public rebuff, as it was interpreted, was the crowning triumph of Mr. Lloyd George's enemies, who thought, with no particular ideas beyond it, that at last they saw the Coalition in ruins at their feet. But it was a short-lived triumph, of the kind which they had often enjoyed before; and there seems some reason now to doubt whether the whole tumult had not been premature. Mr. Chamberlain, speaking at Glasgow on January 19, gave an explanation of its origin in terms which, from such a quarter, must be accepted as the truth, and were endorsed two days later by Mr. Lloyd George himself.

Before his departure for Cannes, he said, the Prime Minister consulted with me and some of his colleagues upon the question of dissolution. No decision was taken. No decision was sought by the Prime Minister. He himself definitely stated he had not made

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up his mind and would take no decision until further conference with us on his return. That conference has since been held and completed.

And Mr. Chamberlain added the reason why an immediate dissolution had in fact been found impracticable, quite apart from any popular feeling on the subject :

There is one obvious pre-occupation for the Government at the present time. We have taken a grave departure in Irish politics. We cannot do anything to jeopardise the success of that new departure. We must bring that ship into harbour before we take any risks. The solution of the Irish question on the lines of the Treaty is a process requiring discussion and time for its completion. The legal establishment of the Provisional Government and the equipment of that Government with the necessary powers of administration and legislation is work of immediate urgency, and until it is completed there can be no thought of dissolution. That is the unanimous decision of the Prime Minister himself and of the colleagues of whom he asked their opinion.

In other words, the constitutional anomalies already inherent in the Irish settlement would be complicated beyond all hope of redress by a dissolution of the British Parliament before the Provisional Government had been placed on a legal footing. It is possible that this practical objection had never occurred to Mr. Lloyd George when he first began to discuss with his colleagues the appropriate limit of the present Administration. That it should never have occurred to his newspaper critics seems far more remarkable, considering the very feeble arguments which they actually produced. With a general election inevitable at least within eighteen months, it was sheer nonsense, for example, to parade the consequent set-back to industry. The tender shoots of industrial revival are not so far above ground in these early days of the year as to run any serious risk of being blighted, and the real vote of the City would probably have been cast for having the whole business over at once and out of the way. And it was something worse than nonsense in Mr. Lloyd George's permanent enemies of the Press to complain that he should choose

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his own moment for a dissolution. For many months they had been shrieking—not only at home, but abroad—that the Prime Minister was utterly discredited, that his Government was tottering, that none of his supporters dare face their constituents, and that a general appeal to the country could only result in their total disappearance. Critics so convinced as this should have been the first to welcome the chance of putting their brave words to the test, and their ignominious retreat is the first definite fact that emerges from the January controversy.

The second result is more important. Whether the Prime Minister intended a public discussion or not, whether it turned out different from his plans, or whether it was all an affair of party agents rather than of principals, there is no doubt about the practical service which it has rendered in setting us all to think about our political allegiance. It is difficult for any foreigner to realise how deep and lasting in this country are the roots of the old party system. The tradition that there must always be two sides in politics, more or less evenly balanced, providing an obvious Government and an obvious Opposition, not differing too much in action, but allowing for a periodical change of Ministers, was inherited at his birth by almost everyone in public life to-day. It has been practised with great success for generations. It saves an immense amount of thought to the individual voter. Moreover, it is diligently fostered by all the professional organisers and party managers, whose whole lives have been shaped to suit it. But the effect of a month's violent discussion has been to bring home to every voter in the country that this ancient tradition, comfortable and successful as it was, has simply crumbled to pieces before his eyes. At the present moment he may be a Conservative who supports the Coalition or a Conservative who detests Mr. Lloyd George and all his works ; he may be a Liberal Coalitionist or a Liberal in Opposition ; or he may be a member of the Labour Party, whose schisms are only less apparent because

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no part of it is for the Government. What he cannot have under present conditions is the old two-party division ; and it is gradually dawning now upon him also that no single one of the five groups which are appealing to him is capable by itself of forming a stable administration. In other words, however little the voter may like the effort, he is being compelled by force of circumstances to decide his attitude for himself without any of the old labels to guide him.

### *An Orgy of Speech-making*

This process of self-examination was both intensified and confused by the orgy of speech-making which followed the Prime Minister's return from Cannes. And here a few dates are perhaps as illuminating as any attempt to summarise the speeches. The agitation against a dissolution may be said to have reached its height about January 10, when *The Times*, which had been foremost in declaring the Government to be "discredited and tottering," opined that "the defects of coalition are not necessarily a reason for desiring an immediate General Election." On January 15 Lord Derby, of whom much had been hoped by the dissentient Conservatives, came down definitely on the side of the Coalition, but appealed for a postponement of dissolution, and thus contrived to maintain his balance. On the 16th Mr. Lloyd George arrived in London, and the Coalition schism seemed to be closed as by a miracle. Ministers, said their critics, had patched up their differences; the crisis had been temporarily shelved. On the 19th Mr. Chamberlain shelved it still further by a strong speech at Glasgow in defence of the Government and by the statement of their attitude towards dissolution which has already been quoted. On the same day Captain Guest and Mr. McCurdy, Whips of the Liberal Coalitionists, were shepherding their flock on parallel lines, while Mr. Asquith was denouncing the economic policy of the

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Government at a "non-political" gathering in the City. That was on Thursday. Next morning, January 20, Mr. Churchill took the field at a conference in London, which launched the "National Liberal" Council as the governing body of a regularly constituted organisation of Coalition Liberals, with himself as the Prime Minister's chief lieutenant and Sir Gordon Hewart and Mr. Fisher as his principal supporters in the Cabinet. The new organisation lost no time in displaying its numerical strength to the watchers in Piccadilly by a gigantic evening party; and, thus heartened, the Prime Minister rounded off the week with an oration mainly devoted to foreign affairs and to the old appeal for national unity in dealing with them. Then Sunday intervened. On Monday, the 23rd, the Opposition Liberals opened their innings, and Mr. Asquith and Lord Grey of Fallodon, restored once more to public life, delivered a frontal attack on every feature of the Government's policy, Lord Grey complaining, in particular, of the destructive methods of the Supreme Council and pleading for a return to the old diplomacy as essential to friendship with France. On Tuesday, the 24th, Mr. Churchill answered them, with a special and characteristic onslaught on Lord Robert Cecil. On Wednesday, the 25th, Lord Robert Cecil dealt in similar terms with Mr. Churchill. On Friday, the 27th, Lord Grey repeated in Scotland the arguments which he had already used in London. The opening days of February heralded fresh speeches, of a more definitely "fighting" character, from Lord Birkenhead and Mr. Churchill; and so it went on from day to day.

### *Some Coalition Inevitable*

How, then, do matters stand in our domestic politics at the end of it all, and as Parliament re-assembles in February?

It is clear enough, in the first place, that a General Election, while necessarily postponed for the moment on account

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of the anomalous state of Southern Ireland, is only awaiting the most convenient season when once that objection is out of the way. Ministers have made no secret of Mr. Lloyd George's anxiety to test the strength of his critics. Their speeches have shown a progressive tendency towards electioneering. As things stand at present, the appeal to the country is likely to be sooner rather than later, and every political organisation will be kept at full strength with that prospect in view.

Next, the Coalition which supports Mr. Lloyd George's Government will make its appeal as two allied parties, with two separate organisations, and not as a single body. After all that has happened lately there can be no question of an early "fusion." The formation of the National Liberal Council recognises that fact and stereotypes the alternative policy of alliance for certain common objects.

What those objects will be may be gathered with some certainty from the speeches which Ministers of both parties have lately been delivering, for the disappearance of the dissolution controversy was succeeded by an amazing unanimity in public professions. The Coalition will stand, then, first and foremost on what it can make of its record since the war, on the definite results achieved in particular at Washington and in Ireland, and on the case for avoiding mere party politics at home while the nation has so large a part to play in the settlement of the world. Mr. Lloyd George's speech to the National Liberals was mainly devoted to this external argument for Coalition, which will now be reinforced, in view of the criticisms directed upon it, by a general defence of diplomacy by conference as opposed to the old method. It is clear also that the Coalition will stand as the avowed opponent of Socialism, with which every Ministerial speaker has made great play, and will claim with truth that the real aims of the Labour Party are not even remotely represented by the mild professions of its official leaders. Further, like every other section, it will stand for economy, with the Geddes Report

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on retrenchment for its text. And, finally, it will stand, at the instigation of its Conservative members, for some reform of the House of Lords and of the relations between the two Houses—not to the extent of repealing the Parliament Act, but in order to complete what even the Liberal authors of that Act admitted to be a half-finished scheme. If we may judge from Lord Birkenhead's speeches, the next step might go no farther than a measure to deprive the Speaker of the House of Commons of his exclusive power of defining a Money Bill. On these lines, and with highly skilful leadership, the Government is likely to make a strong appeal when it comes to the polls. There have been rumours lately from the Liberal wing that their candidates will expect better treatment than before in the allocation of seats ; but the schism in the old Liberal Party is far too deep for any reunion, and a reasonable application of give-and-take should suffice to prevent any serious weakening of the Coalition on this account. Its greatest danger remains a break-away of the Conservatives, who might at any moment form a very powerful independent group if a new quarrel should arise over Ireland, for instance, or over Egypt, or over the operation of the Geddes Report.

Quite apart from the personal feuds of London newspaper proprietors, there is no doubt about the restlessness among the rank and file of the party. There is a feeling, ill defined but real, that Mr. Lloyd George's policies are opportunist and self-contradictory, and that conservative principles are suffering under his leadership. A practical obstacle to any successful secessionist movement is that, with the exception of Mr. Bonar Law, who is still something of an unknown quantity, every conceivable leader, Mr. Chamberlain, Lord Birkenhead, Sir Robert Horne and the rest, is deeply and personally committed to the Prime Minister and equally responsible with him for Government policy in the past. What happens in Ireland—and at the moment this article goes to press the sky is overcast—is bound to react upon the political situation in Great Britain.

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For the immediate present, however, and probably for any election that is not too long postponed, the Coalition maintains its cohesion.

The opposition, on the other hand, will be mainly composed of two entirely independent sections, between which no adjustment seems possible, even for the sake of turning out the Government. Labour—wisely, no doubt, from its own point of view—refuses any alliance or compromise. It is already, perhaps, the largest single party in the country; but it still waits for a leader capable of uniting and controlling it. When that day comes it will unquestionably find itself in a position to form a Government. At the present moment the tide of public opinion is setting strongly against its policy of lavish public expenditure and State control; and the effect of its numerous candidates in many cases can only be to help the Coalition at the next election. The Opposition Liberals, on the other hand, were immensely reinforced for immediate purposes by Lord Grey's return to active politics. He was always an attractive and much respected figure. His honesty of purpose is beyond dispute, and he had the distinct advantage of coming back as a fresh character upon a thoroughly jaded scene. There was no question whatever about his wholehearted antagonism to the Government, or about the influence of his speeches in rallying all kinds of people whose anti-Lloyd Georgeism is their only common creed. He became at once the rising hope, for example, not merely of good Liberals who regard the Prime Minister as a renegade from their ranks, but even of some "die-hard" Conservatives who find the Coalition too Liberal for their liking. But the prospect of a national rally to Lord Grey seems to be fading almost as quickly as it dawned. It is doubtful whether he has the health or the persistence for a rough and tumble fight with Mr. Lloyd George. Moreover, he has imposed upon himself this practical handicap—that, speaking with all the authority of a former Foreign Secretary, he



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has declared himself strongly in favour of closer relations with France and of the old diplomatic methods of maintaining them. In other words, he is tilting against one of the few tendencies in Lloyd Georgian policy which all other Liberals heartily support ; and the immediate result is an unedifying quarrel among them whether he is really qualified to step into the shoes which Mr. Asquith has so far shown no disposition to relinquish.

Nothing could illustrate more completely the utter hopelessness of any attempt to revive the old party tradition without some common fundamental divergence of policy. THE ROUND TABLE has never shared the helpless belief that any administration, however bad, must be supported till an alternative is constructed in every detail. There are any number of possible Governments, no doubt, in England to-day. But the spectacle of a Liberal revival based on French aspirations and on secret diplomacy, while another Liberal organisation marks its distinction from Conservatism by following Mr. Churchill ; of Tories protesting that the Irish Free State is the coping-stone of a consistent Conservative policy ; of Labour men calling simultaneously for a reduction of taxation and for unlimited State extravagance—all this suggests that we are still some way from that clear divergence of policy which creates party politics and gives reality to party labels. There is, indeed, one radical difference of outlook in our domestic affairs, which are what matters most to the average voter, and that places definitely on one side those politicians who are pressing for gigantic extensions of State control and ownership instead of for their gradual relaxation. In other words, it divides the Labour Party on a matter of principle from all the various brands of Liberal and Conservative, whether inside or outside the Coalition, who are at present separated mainly by personal questions. It is by no means a division to be welcomed ; but at least it is based on realities and not on worn-out names, and to that extent it justifies the Government in selecting Socialism as its principal object

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of attack. Whether Socialism will ever become a winning cause in England is another question. Certainly at the moment the country is very far from being Socialist, and for that reason will continue to be governed for the present by some form of Coalition—probably differing but little in policy, however it may differ in *personnel*, from that which is now in power.

### II. INDUSTRY AND NATIONAL FINANCE

THE New Year finds the United Kingdom still in the trough of an industrial depression without parallel in its history, with two millions of its people unemployed. Many causes have contributed to this result, and to the disillusionment, the suffering and the privation which it implies. Some of them have been peculiar to this country, or have operated here in a more extreme form than elsewhere. It would be true to say, for example, that more time was lost in the United Kingdom in the two and a half years which followed the Armistice through labour disputes, whatever the merits of any particular dispute may have been, than in any other important industrial community. It would be easy to analyse the purely national factors which have led up to the present position—that task was attempted in *THE ROUND TABLE*\* a year ago—and to distribute blame with a generous though perhaps scarcely with an impartial hand between parties, interests and classes. We prefer not to do it, not only because it is more profitable to look ahead than to look back, but because the present trouble has its deepest roots outside the United Kingdom. They are to be found in the simple fact that the world's effective demand for the products, taken in the mass, of human industry has sunk to a level far below that of the years before the war. We have to recognise the workings of an upheaval in human affairs as powerful as the natural

\* *ROUND TABLE*, No. 42, March 1921.

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phenomena of an earthquake or a volcanic eruption. The war not only destroyed wealth, the accumulated savings of generations; it upset the balance of men's minds and dulled the habit of peaceful intercourse and trade between nations. Until that habit is restored and political unrest is stilled, whether in Europe or in India or Egypt or in China, industrial revival here or anywhere else can only be partial. We are here restating what has already, perhaps, come to be a commonplace of polite discussion, but until such commonplaces find a more responsive echo in political action it is worth incurring the risk of triteness to repeat them.

It is now almost two years since the wave of artificial prosperity, set up by the sudden ending of the war and by the confident optimism which in those days swept over the world, began steadily to recede. As the demand dwindled, first in one industry then in another, here for manufactured goods, there for the products of the soil, until the real poverty of the post-war world was exposed, a deliberate process of price deflation began. It has developed with extreme rapidity. In twelve months the cost of living has fallen from 170 per cent. above that of 1914 to 90 per cent. i.e., almost 30 per cent.\* The drop in wholesale prices in the same period has been much greater. The mere thoroughness of this attempt to stimulate demand has in one sense and for the time being defeated its own end, since it has encouraged the postponement of buying wherever possible in the hope of an even greater fall in prices. The present stagnation exaggerates the true diminution in the world's purchasing power just as the artificial conditions of two years ago concealed it. There are many signs that a point is being reached beyond which any further substantial drop in wholesale prices is unlikely and the consciousness of that fact may be expected gradually to resuscitate that element in the general demand which is at present lying dormant solely through the instability of prices.

\* I.e., There has been a drop equivalent to almost 30 per cent. on the cost of living a year ago.

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## *Wage Reductions and Wage Inequalities*

The process of deflation has caused a vast amount of disturbance to the trade of the United Kingdom, but it has also served as a sharp reminder of the true basis of industrial prosperity in this country, the ability to keep foreign markets for British products. Harsh experience has shown that the standard of life, whether now or before the war, is not capable of being arbitrarily fixed by regulation but must in the long run be determined by the nation's productivity per man hour. It is true that the demonstration is still incomplete, for the reason that the pressure of an abnormal economic situation has been unequally applied. On the one hand there are the industries—and they include almost all the staple trades of the country—which have continuously to meet foreign competition, at home and more particularly abroad. They must fix their wage rates so as to enable them to sell their products at the world price level: the alternative is ruin. (We take no account here of differences in the quality of the product or of advantages such as preferential tariffs or sentiment may give in certain markets: these factors have a practical importance but it is not sufficient to invalidate or even materially to affect the general argument.) The necessity of this choice has compelled employers in these industries to press for and the workers to accept reductions in wages so drastic that the actual standard of life to-day must be much lower than that of 1914. There are, however, other trades in which economic pressure has been much more sluggish in its action, and wages have remained at or near the heights to which they soared in 1920. This is true of most trades that are immune from foreign competition, e.g., of railway and transport workers, and of many State and municipal employees, and also of that important body of workers which the extension of the Trade Boards Acts to cover not only sweated trades but all unorganised trades

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has brought under the regulation of Trade Boards. A strong Commission, of which Lord Cave is the Chairman, is at present investigating the working of those Acts, and there will be a more fitting opportunity when that Commission has reported to deal with the question of Trade Boards in some detail. The enquiry has, however, already brought out facts as to which there can be no dispute and which illustrate the argument we have been attempting to develop. While the minimum rates fixed by Trade Boards and now in force for a wide range of unskilled workers fall between 46s. and 59s. a week, unskilled labour in many of the coalfields of the country is now paid wages lower than the lowest Trade Board minimum and in one district at least no higher than 24s. a week. An unskilled worker on a blast furnace plant in South Wales at present earns 42s. a week, his wages being determined by the selling price of the product ; an unskilled worker employed by the same company to sort scrap iron outside the same furnace belongs to a technically unorganised trade and has his wage fixed by a Trade Board at 55s.

The kind of inequality which is here indicated between present wages in what we may call the " export " and the " non-export " trades has serious effects. Its patent injustice creates ill-feeling between one class of worker and another ; and the higher wages in the " non-export " trades help to keep up the cost of living and so to prolong the sacrifices which labour in the other industries is called on to make. The depression in the country's internal trade naturally tends to bring about a reduction in wages even in the " non-export " industries. The National Wages Board for the Railways has already, on an appeal by the Scottish railway companies, authorised slight modifications both in wages and in the strict application of the eight-hour day, and a similar award is already being claimed and must soon follow in England. But much greater changes, both in wages and in working conditions on the railways, will be needed before there can be any such

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substantial reduction in the cost of rail transport as the position—e.g., of the iron and steel industry—calls for. To a considerable extent, too, the natural influence of trade depression in bringing down wages in all industries has been counteracted by the relatively high scale of unemployment relief now being paid. The rates allowed by local guardians vary within wide limits, but in a great many areas a family of which the head is unemployed is at present assured in one form of relief or another of a weekly income greater than that which employed workers in some of the country's most important industries are able to earn. Thus purchasing power as regards the necessaries of life, and in consequence the cost of living, are kept up. At the same time a burden is thrown both on the Exchequer and on the local rates so serious as to endanger economies in public expenditure which are vital to the renewal of trade. We regard the better provision now made for unemployment relief as in principle a welcome alleviation of the suffering which has hitherto been inseparable from the industrial system. But we believe, too, that this form of sympathy with distress has in many parts of the country been carried to a point where it is no longer either just or expedient, and that a lower scale and greater uniformity between areas would be in the ultimate interests of the workers as a whole.

### *Palliative Measures*

Apart from the dole, the measures which have already been described in *THE ROUND TABLE*\* for the relief of unemployment have continued in operation. It cannot be said that, taken together, they have amounted to more than a slight palliative. Public relief works can absorb only a trifling proportion of the two million unemployed, and the funds at the disposal of the Unemployment Grants Committee for such works are already exhausted. The amended Export Credits scheme has attracted many more applica-

\* *THE ROUND TABLE*, No. 45, December 1921.

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tions than its predecessors and has enabled British manufacturers to obtain some orders which otherwise would either not have been placed or have been placed outside this country. But the scheme touches only the fringe of a vast problem, and it involves risks which are incalculable—e.g., reliance on the power, say, of the Brazilian exchange to recover within the next two or three years—and which may in certain conditions involve heavy losses both to the State and to private firms. The other and the new section of the Trade Facilities Act of last autumn enabled the Government to guarantee the principal or interest, or both, of loans raised here or abroad for capital works which would create employment in the United Kingdom; the aggregate capital amount of such loans was not to exceed £25,000,000. The small committee which the Government appointed to consider applications for the guarantee has just issued a preliminary report after three months' work. In that time it has examined 500 applications and passed for the guarantee loans amounting to £2,000,000. It is prepared to recommend a guarantee—as soon as technical, Parliamentary or other difficulties can be overcome—in respect of loans for a further £14,000,000; and serious applications for a further £21,000,000 remain under consideration. This is not perhaps a very illuminating report, and a detailed account of the obstacles to schemes which the Committee regards as *per se* sound might throw a strange light on the conditions in which capital development in these days comes to birth. It is at least clear that neither the Trade Facilities Act nor any similar measure can give us back industrial prosperity.

### *Internal Economy and the Geddes Committee*

The really fruitful field for Government action lies in quite different directions. The key to better conditions in the United Kingdom is in foreign policy and in economy in

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administration at home. Elsewhere in this number of THE ROUND TABLE the pressing need not only of this country but of the whole world for a new spirit in international affairs and for a proper regard to economic considerations is explained and emphasised, not for the first time. We propose, therefore, not to deal here with that aspect of the matter, though it is more important than any other, but to glance at the connected problem of internal economy.

The increase in all forms of public expenditure, whether national or local, since 1914 has been colossal. The estimates for 1921-22 forecast a national expenditure of £1,146,123,000 and a revenue of £1,216,650,000, or almost six times the pre-war totals. In the first ten months of the current financial year receipts into the Exchequer amounted to £784,000,000 and issues to £845,000,000. All that can now be hoped for is that the year will end without an appreciable deficit. This result is obtained only by the imposition of an enormous burden of direct taxation. There is little doubt that the income tax has already become in part a tax on capital. The savings of the nation before the war have been estimated at £400,000,000 per annum, and that sum was available for investment abroad and for capital development. It formed the true guarantee of national prosperity and the basis of social progress. This fund no longer exists; rates and taxes have levied increasing contributions until in the end they have absorbed it. The possibility and with it the habit of saving have been destroyed; until they are restored the spirit of enterprise, the most active stimulus of industrial development, must lie dormant. A lessened burden of taxation is, therefore, a condition without which no real or permanent prosperity in industry can be expected. It is not the only condition, or even perhaps the most important condition, and if it were satisfied while the position of the world remained in other respects as it is to-day there would be no great gain, but as an object to be aimed at in



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parallel with that other object of the reform of international relations, it is vital.

A further and even more immediate argument for economy in administration is that without it there can be no prospect of balancing the budgets of 1922-23 and the following years except by renewed borrowing. If all present sources of revenue remain untouched they must yield in a time of unprecedented depression in trade an ever dwindling return. The three years' average applied to income tax works out in present conditions to the benefit of the Exchequer, but it can do no more than postpone the day when the full shrinkage in the produce of the tax must be apparent. These are the unanswerable facts which have made economy the supreme issue in domestic politics. There has been no lack of warning from competent authorities in the last three years that national expenditure was conceived on a scale so lavish as to augur ruin if it were maintained. The warning gained in mere volume of sound what it lost in gravity when the cry was taken up by organisations such as the Anti-Waste League and translated into a political weapon for use in by-elections. The extravagances and inconsistencies in policy of this movement of demagogues put an end to its life, but not before it had driven the Government to give to economy some of the attention which the problem demanded and to appoint the Geddes Committee on National Expenditure. This Committee of five business men, with Sir Eric Geddes as chairman, has analysed the expenditure of the spending departments with remarkable energy and thoroughness, and its two interim reports dealing with the most important of the supply services have just been published.

There is a good deal of misunderstanding as to the powers of the Committee, though there need have been none. Its terms of reference are explicit :—

To make recommendations to the Chancellor of the Exchequer for effecting forthwith all possible reductions in the national

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expenditure on Supply Services, having regard especially to the present and prospective position of the Revenue. In so far as questions of policy are involved in the expenditure under discussion, these will remain for the exclusive consideration of the Cabinet ; but it will be open to the Committee to review the expenditure and to indicate the economies which might be effected if particular policies were either adopted, abandoned or modified.

It is clear from this that it was never the intention to treat the Committee's recommendations as sacrosanct. No Government can be expected, or allowed, to divest itself of the responsibility for deciding what amount Parliament should be asked to vote for supply and under what heads. Nor ought it, as to the details of economy, to follow the advice of an outside body, however eminent, and to ignore that of the departments. But to say this is not to suggest that any Government could, as a matter of practical politics, after using the Geddes Committee for months as a stalking-horse, lightly set aside its recommendations ; even if the reasoning on which they are based were less convincing than in the main it is, such a course now would mean political disaster to the Government.

Most of the problems of the Budget since the war have sprung from the fact that there is a first charge of about £450,000,000 on the revenue ; this is in respect of interest on debt and of war pensions. If a capital levy is ruled out, as on political grounds apart altogether from its merits it must be at the present time, this charge must be taken as irreducible ; indeed, it will increase to over £500,000,000 when interest payments on the debt to the United States are resumed. The problem of economy is, therefore, the problem of how to meet the shrinkage of revenue and if possible to reduce taxation by cutting down the £603,000,000 included in the estimates of the current year for the ordinary supply services. Departmental economies under pressure from the Treasury gave a reduction of £75,000,000. This was made possible in part by a change of policy—e.g., as regards housing—but in the main through

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the fall in wages and the cost of stores. The Geddes Committee were asked to aim at a further saving of £100,000,000, and in their first two reports they indicate possible economies of £75,000,000 towards this amount. The balance must come if at all from the departments which they have still to review. The Committee also make a number of suggestions for administrative reforms from which an ultimate even if no immediate economy can be expected.

We do not propose here to examine the proposals of the Committee in detail, but rather to direct attention to one or two general considerations. Of the £75,000,000 which the Committee propose to save, Defence (i.e., the Navy, the Army and the Air Force) accounts for £46,500,000 and Education for £18,000,000. The Committee finds that the estimates for 1922-23 foreshadow an expenditure on Defence of £176,000,000 as against £80,000,000 in 1914-15. They express the opinion that no such expenditure is warranted by the probable needs of Imperial Defence in the next ten years, and they indicate in great detail for the three services expenditure which appears to be due to the persistence of tradition, disregard of the changed world situation or of technical improvements brought about by the war, or simply to overlapping, bad organisation or extravagance. The publication of the report called forth an immediate counterblast from the Admiralty, in which the knowledge and ingenuity of experts was used to make the detailed proposals of the Committee look foolish. It is possible that some of them are, though some further proof of that than the Admiralty memorandum is likely to be needed. Certainly no five men in England could in a few months cover the whole range of administration and suggest changes which would be above criticism in every department. But for the general thesis that the country neither needs nor can it afford a defence system in the year 1922 which costs £176,000,000 we believe that there will be overwhelming public support. Indeed we should go

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further. We think the country can afford less for defence than on an estimate covering all possible contingencies it may be said to need. In other words, we believe that the risk involved in effecting considerable economies is practically nil. The menace from the Continent of Europe has been removed ; the danger of civil disturbance grows every day more remote. If every imaginable contingency is to be guarded against, then war with the United States of America is, we suppose, a conceivable risk, but it is a risk against which the proper insurance is not expenditure on defence but a policy of firm friendship and of co-operation in all humane purposes.

Defence represents much the most considerable group of spending departments and the group in which the most substantial economies must come if they are to come at all. It is here that the Geddes Committee are on strong ground, because they reflect the pacific temper of ordinary men and their dislike of the "pride, pomp and circumstance of glorious war." In their proposals for a saving of £18,000,000 on the Education vote the Committee are less convincing. They use language which suggests in places that they consider education, like port wine, should only be taken in small quantities. Their reasoning is coloured by the view expressed recently in a public speech by one member of the Committee, that "there is a limit to the economic usefulness of education." Government of an Empire by a democracy is at best a hazardous and difficult task ; it is an impossibility if the democracy is to be ignorant and uneducated or only half-educated. So, too, the struggle which confronts British industries to keep their place in an age of ever increasing technical refinement can have only one end if this country continues to starve secondary and higher education while its competitors extend and perfect them. Most of the reforms which the Committee appears to regard as new-fangled fads have been organic features of every educational system in Central Europe for a generation. If we defend education it is not because we think

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the case for it is likely to go by default—only a slight acquaintance with the industrial districts of the North and Midlands is needed to show the strength of the opposition which may be looked for to a good deal of this part of the report—and still less because we wish to see the education vote taken out of the zone of economies. No department, no profession and no class is justified in claiming exemption from sacrifice at the present time, and it is right that lax or wasteful methods in administration should be exposed wherever they occur. The Geddes Committee has done a public service, which is also a service to education, in pointing out the dangers of a system of financing educational services which leaves the principal contributor, the State, without adequate control over the growth of expenditure.

It would be unfortunate if any criticism of the Geddes report obscured its exceptional value as a contribution to the most pressing of domestic problems. It throws a searchlight into every corner of public administration, and no Government which fails to give effect in one form or another to economies at least as extensive as those which the Committee proposes will have met the needs of the present financial situation.

It would be idle to pretend that the report opens a clear path to a reduction of taxation in the coming financial year. On any reasonable estimate of revenue the proposed economies, many of which can plainly not be brought into effect at once, will barely suffice to balance the Budget. A reduction of the income-tax to 5s. would have to be made either as a pure speculation, in the hope that the stimulus to trade would ensure an equal revenue from the tax at the reduced rate, or in the intention to finance some part of current expenditure by borrowing. It is not obvious how the second alternative could benefit trade, since it would add nothing to the aggregate purchasing power of the nation unless it were carried out by the inflation of the currency. It is at least doubtful whether either alternative could be regarded as consistent with sound finance, and in

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spite of the burden of present taxation, right policy may necessitate its maintenance at least during 1922-23.

The possibility and the need of economy in public expenditure are not confined to the field covered by the Geddes Committee. To the manufacturing industries the burden of the rates is more serious even than that of taxation. No one will doubt that there is room for a reduction in the expenditure of local authorities. It may be more difficult to obtain and relatively less important than in the expenditure of the State, but the pressure of public opinion which led to the appointment of the Geddes Committee must sooner or later exert its influence in all spheres of public administration. Indeed it has already begun to do so.

### *Conclusion*

If we glance, in conclusion, at the present position and the prospects of British industry, we shall find much cause for quiet satisfaction, none for any confident elation. The most reassuring feature of a gloomy period has been the courage with which the great mass of the workers of the country have seen the promise of a new age turn to bitter fruit and without complaint have faced sacrifice and privation. It is in our judgment as unjust as it is futile to throw on Labour the whole blame for the present depression and to attack the workers and their leaders in the terms of unmeasured abuse which some politicians have chosen to employ. Labour has its responsibility, and it is a heavy one, for what has occurred. But neither employers nor politicians as a body can afford to throw stones. The mistakes and miscalculations of the management of industry in the two years after the war have long been known to those engaged in it, and are being revealed daily in the dreary confessions of disaster made by one concern after another. It has, too, at last become obvious to the whole

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world that the most powerful influence in creating the position of to-day was the dislocation of trade caused by the war and the economically unsound Treaties of Peace, and that there can be no real relief until the nations of Europe are all agreed to live in peace and to co-operate in finding a new basis for trade with one another. This is the moment not for recrimination but for constructive work. Some of the most serious domestic troubles have been or are being overcome. Labour is working well: output seems assured if work can be found. On the side of Capital industry has been violently purged, and there is everywhere a return to old sound habits and traditions. The last two years have shown that it is not new industries that England needs but new markets for the old ones and the old markets re-opened. Old competitors are reviving, new ones are springing up. There is significance in the fact that one of the few articles of export which shows a steady increase is not textiles but textile machinery. Whether a revival of trade comes soon or late, its permanence must depend to a great extent on the efficiency and enterprise of the staple British industries. To promote efficiency and to encourage enterprise should be the joint aim of employers and labour: it is one which they can attain together but in no other way.

## CANADA

### I. THE FEDERAL ELECTION

ON December 6, 1921, Mr. Meighen's Government suffered the most complete defeat of any ministry in the political annals of Canada. The Liberal Party returns to power with almost a clear majority over both its opponents, and Mr. Mackenzie King, its leader, has become Prime Minister.

#### *The Defeat of the Government*

One more coalition has failed long to survive the specific national crisis that gave it birth. The Liberal-Conservative amalgamation under Sir Robert Borden, which swept the Dominion, outside the province of Quebec, in the 1917 election, and did such admirable work in the last years of the war and during the demobilisation period, passes into history. Long before the election the Government had been weakened by the retirement from active politics of some of its most prominent members, such as Sir Robert Borden, Mr. N. W. Rowell, and Sir Thomas White. The transformation of the coalition into what was practically a Conservative ministry could not but have a serious influence in the electoral fight; and Mr. Meighen's Cabinet reshuffle after his return from the London Conference was an evident sign of diminished strength. Mr. Meighen's party, indeed, was so deficient in figures of distinction that the strain



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borne by the Prime Minister himself in the campaign was very heavy. He rose to the demand with great energy ; but his personal influence was not enough to stem the tide, and he was unable even to retain his own seat.

In no section of the country was the Government successful. Its defeat, however, can hardly be said to have been due to a single definite issue. Constitutional status within the Empire and foreign affairs were almost entirely passed over throughout the fight. But on every domestic question the Government had to meet the discontents which had accumulated during ten years of office, and which had reached their climax in the present depression in trade. It would have been marvellous in the circumstances if the Government had survived, though its defeat was more severe than had been anticipated by all but the most sanguine of its antagonists.

The ground upon which Mr. Meighen chose to fight was economic, and the chief topic of the campaign was the controversy between Protection and Free Trade. It is true that no party was for immediate Free Trade. The Progressive or Farmers' Party advocated it as a policy for the future, but even they admitted the need of a tariff for revenue. The Liberal Party was divided on the subject ; many of its supporters in the all-important province of Quebec were strongly Protectionist, and a number of the other Liberal candidates Free-Traders. The frankly Protectionist policy of the Government was certainly rejected at the polls. But that anything like Free Trade will result from the election is improbable. The Progressives resent the action of the United States in imposing a high tariff on Canadian foodstuffs, and are in no temper to open to that country the markets of Canada except on the basis of reciprocal guarantees. Also, if British manufactures are to come freely to Canada, Canadian cattle must go freely to England. The triumphant Liberals are even less likely to commit themselves to a policy which might very easily alienate many in the solid Quebec *bloc*, the united loyalty

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of which is essential to the maintenance of the Government.

Yet Quebec even did not vote on the economic issue. Quebec voted Laurier—" *toujours fidèle à Laurier* " ! If any fact were needed to make assurance of defeat doubly sure for Mr. Meighen, it was his reputation in the province of Quebec as a leading agent of Sir Robert Borden's conscription policy. In Ontario a good deal of play was made by the Liberal Press of Mr. Meighen's failure to go to the country when he first succeeded Sir Robert Borden. The serious situation of the national railways was another general charge against the Government. Thus a considerable number of typical " election issues " were raised, and that of Protection *versus* Free Trade dominated the campaign only in the West. But the real explanation seems to be that the country was tired of the Government, and that the Government was sick unto death.

### *The Election Results*

The defeat of Mr. Meighen, indeed, is far less striking than the temporary victory of sectionalism. The history of the Canadian Confederation has been one of a fine effort to unite in a single state the five distinct sections into which the country is geographically divided. Differences of race, language, and religion have added greatly to the difficulties imposed by nature. Yet the 1921 election results record with almost menacing fidelity the incidence of history and geography. The maritime provinces, cut off from the rest of the country and traditionally Liberal since Confederation, returned 80 per cent. of the Liberal candidates with large majorities. Every one of the sixty-five members from Quebec is a Liberal. Ontario and British Columbia alone were sufficiently loyal to Conservatism to split their vote. Most significant of all, the three prairie provinces returned nearly 90 per cent. of Progressives.

## The Federal Election

There are 235 seats in the Canadian House of Commons. The election results by provinces are approximately as follows :—

	Con.	Lib.	Pro-	gressive.
Ontario .. .. .	37	22	..	23
Quebec .. .. .	0	65	..	0
Nova Scotia .. .. .	0	16	..	0
New Brunswick .. .. .	5	5	..	1
P.E. Island .. .. .	0	4	..	0
Manitoba .. .. .	0	2	..	12
Saskatchewan .. .. .	0	1	..	15
Alberta .. .. .	1	0	..	10
British Columbia and Yukon .. .. .	8	3	..	3
	—	—		—
	51	118		64

Labour elected one candidate in Manitoba and one in Alberta.

The salient deductions from these figures are three :—

First, the Liberal leader, with an almost clear majority over all parties, was of course invited to form a ministry. But Mr. King's political position has other weaknesses besides an uncertain control of the House of Commons. More than half his supporters come from Quebec. Before election day, indeed, there were many rumours that the Quebec Liberals intended to displace him from the leadership. No such action was taken, and the English and French speaking Liberals are at present harmonious in the hour of victory, but whether this preponderance of Quebec members may not affect the new Prime Minister's election pledges on tariff reduction and railways is yet to be seen. Further, the Government is extremely weak in the prairie provinces and British Columbia; unless it can frame a policy which will command some support from the Western Progressives, a parliamentary deadlock is not unlikely.

Secondly, the Progressive Party, with its "watching brief" for the Western interests, is in a powerful parliamentary position. Mr. Crerar, its leader, has proclaimed his general sympathy with the new Government and will

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leave the official leadership of the Opposition (a salaried post in Canada) to Mr. Meighen, who is seeking re-election. None the less, the Progressives as the stronger of the two minority groups will have ample opportunity to impress Mr. King and his Cabinet with the need of giving very careful consideration to Western sentiment.

Thirdly, the election demonstrated the political weakness of organised Labour. It is only the foreign labourer in Canada who has a tenacious class-consciousness, and as yet he has little political power. The strident voices of the extreme revolutionary wing got a very poor hearing. With few exceptions the voters were shepherded into the folds of the three national parties.

For the first time in Canada women have voted on equal terms with men in a federal election. The vote, and consequently in many cases the majorities, were greatly increased ; but it seems probable that the result was much the same as if there had been only a male vote. One woman was elected to Parliament, Miss Agnes Macphail, who sits as a Progressive for an Ontario constituency.

### *The New Cabinet and its Problems*

The Honourable William Lyon Mackenzie King, grandson of the leader of the Rebellion of 1837 in Upper Canada, is another young Prime Minister, for he heads the Government at the age of 47. After training at three universities he became Deputy Minister of Labour in 1900, entered Parliament in 1908, and, as one of Sir Wilfrid Laurier's "young men," received the portfolio of Labour in 1909. He was defeated in 1911 and again in 1917, and was only re-elected at the close of the war. But, although his total parliamentary experience was gained in three years, he was chosen as the leader of the Liberal Party at the end of Sir Wilfrid's long reign. His chief interest has always been in industrial problems. He has been chairman of several Royal Commissions on questions of labour and immigration,

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has come much into touch with these subjects by his connection with the Rockefeller Foundation during the war, and has written on "Industry and Humanity." As a constructive statesman he has still to win his spurs, and the urgent problems of to-day will give him a fine opportunity.

Before selecting his Cabinet Mr. King entered into negotiations with Mr. Crerar, with a view to uniting the Liberal and Progressive Parties, or at least of including in his Government such leaders of the latter as Mr. Crerar and Mr. Drury. Many non-partisan Canadians feel disappointment that these negotiations failed. Had they succeeded, the Prime Minister would have had an indisputable majority, and the problem of uniting East and West would have been simplified. Nothing has been published concerning the negotiations, but apprehension of the difficulties that will face Mr. King in any tariff reduction may certainly be taken as one of the reasons for Mr. Crerar's decision. The farming interests of the West have long felt themselves injured by a tariff framed to foster industries mainly situated in the centre. The low price of grain and the high price of manufactured articles have caused great hardship to Western farmers, who have been forced to sell their grain below the actual cost of production, and are now in some districts in urgent need of Government assistance if they are to stay on their farms. There is also a general feeling, and not a little bitterness of spirit, in the West against the apparent failure of the East to sympathise with Western problems generally. This East and West conflict is an old story in Canada. It was for many years a powerful element in the politics of the United States. The distances between the Canadian East and West are so enormous and the difference in the conditions of life so considerable that great care and tact must be exercised by any Government desirous of genuine national unity.

In selecting his Cabinet, therefore, Mr. King has only been able to draw upon the members of the Liberal Party.

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He has followed as far as possible the customary practice of giving representation to all parts of the country. The Ministry, however, only includes three members from west of Ontario ; one of these sits in the second chamber ; and the important province of Manitoba is unrepresented. Naturally a prominent place is given to Quebec, which secures six portfolios, its two leaders, Sir Lomer Gouin and Mr. Ernest La Pointe, becoming respectively Minister of Justice and Minister of Marine and Fisheries. Mr. Rodolphe Lemieux, the veteran Quebec parliamentarian, is not in the Cabinet, but it is understood that he has been designated for the office of Speaker. The most important portfolio, that of Finance, goes to Mr. W. S. Fielding, who was long Minister of Finance under Sir Wilfrid Laurier ; Mr. Fielding is well known and very widely respected, but is now over seventy. The province of Ontario also provides six Cabinet Ministers, of whom the most important, after the Prime Minister himself, are likely to be Mr. James Murdock, the new Minister of Labour, and Mr. W. C. Kennedy, who inherits the railways problem.

The condition of railways, the tariff, unemployment, immigration, and finance, afford ample scope for the ablest administration. National ownership of railways has become an issue of the first importance. The management of the national railways, with a mileage of 20,000, the largest system under single management in the world, constitutes a difficult problem, for very large deficits seem certain for some years to come. The majority of people in the country are in favour of giving Government ownership of this great system a fair chance, and it is one of the first planks in the Progressive platform. But many people also, and especially a powerful group in Quebec, disbelieve entirely in its feasibility. As for the tariff, it may be repeated that the Government can hardly take the risk of changing abruptly the conditions under which Canadian industries are conducted, especially at a time when the problem of unemployment is so urgent.

# Canadian Nationalism and Ireland

## II. CANADIAN NATIONALISM AND IRELAND

AN election often reveals the unconscious outlook of a people. Behind the debates in the recent elections respecting Protection and Free Trade, public or private ownership of railways and other public utilities, and the relations between worker and employer, lies the mentality of a nation. It is difficult of analysis, for it is based upon preconceptions which have never been defined. In the past the uncertainty of this background of thought in Canada has made peculiarly effective accusations, for instance, of a desire to bring Canada into a political union with the United States, but now this excites ridicule. In a moment of unwisdom one of the parties issued a poster with a picture of a monster American eagle about to pounce on the Canadian beaver, should it venture out of the hut which symbolised the Protection tariff. The comment in the West was that the turkey might better be taken as the symbol of the United States, that in respect to absorption by the United States Canada would prove rather a porcupine than a beaver, and that if Canadians were taken in by such cries the better symbol for them would be the northern goose. Canadian national feeling is running strong and is easily irritated, but its strength implies no danger to the British connection. The alternative to the existing status would be a Canadian republic, and talk of a republic is nowhere taken seriously.

During the election campaign the Washington Conference was opened. When General Smuts sent from South Africa his comment that if the British nations, other than Great Britain, were not invited in their own right to attend they had better stay away, the question was naturally debated in Canada, and it is of interest to notice the lines of cleavage in opinion. The oldest daily newspaper is the *Montreal Gazette*, founded in 1778. It is eminently staid

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and sober, one of the chief props of the Conservative Party. On November 15 the *Gazette* said: "It may be well to recall the fact that Canada is not a sovereign nation but a member of the British Empire," and it proceeded to deride the notion that Canada with "an army of 5,000 troops and a navy of two cruisers and three destroyers" could, sitting in her own right, have any influence at Washington. It was enough that the parent, Great Britain, was invited "to bring with him as many of his children as he thought proper." In view of the state of mind of Quebec and of Western Canada, the analogy of a parent leading a child by the hand was not happy. The *Manitoba Free Press*, which reflects the dominant opinion of the West, quoted Mr. Barriedale Keith's statement that the failure to invite Canada is "an episode of fundamental importance," and asked who was responsible. Mr. Crerar, the Progressive leader, declared that "we should be represented at Washington in our own right or we should not be represented at all."

It is thus clear that the problem of the diplomatic relations of the British Empire has not yet reached a final solution. The demand is persistent in some quarters, though not in all, that the interests of Canada at Washington shall be represented by a Canadian. The frontiers of the United States and Canada run together for five thousand miles. The Government of Canada owns more than a thousand miles of railway in the United States. It is confronted, at this moment, by the problem of co-operating with the United States in a gigantic scheme for opening a deep water-way from the Great Lakes to the sea and for generating electric power by the force of the mighty frontier river, the St. Lawrence. There are a dozen other important questions on which the two nations must take counsel together. Yet, it is urged by some, Canada must approach the United States through an ambassador sent from Great Britain who knows little or nothing of these questions or of the public opinion in Canada for which he must speak.



## Canadian Nationalism and Ireland

To the more ardent spirits it seems a humiliating position for a young nation, newly conscious of its standing ; and the solution they ask is that either a Canadian shall represent at Washington the whole British Empire, or that Canada shall have there some one who can speak with authority for her alone. Well-informed Canadians understand the desire, even the anxiety, on the part of leaders in Britain to meet Canada's wishes. But, especially at this juncture, it would be hard for a British Government to appoint at Washington any other than a representative in close touch with opinion in England.

Speaking on the Irish treaty in the House of Commons on December 14, Mr. Lloyd George, while declining to define the "Dominion status" offered to Ireland, proceeded, in fact, to define the existing position in respect to foreign affairs. The Dominions, he said, now "have equal rights with Great Britain in the control of the foreign policy of the Empire ;" and he commented on the "polite disdain" with which, in 1856, Lord Palmerston would have viewed the proposal to share counsels with a Dominion representative at the end of the Crimean War. He added that the administration of foreign affairs and the selection of ambassadors must remain with the British Government, while "the young giants," the Dominions, would help to carry the burden. "The instrument of foreign policy of the Empire is the British Foreign Office." He meant Ireland clearly to understand this. In some quarters in Canada the speech was favourably received. Not so in the West. *The Manitoba Free Press* asked, on January 3, whether Mr. Lloyd George was making public a bargain agreed upon secretly at the last Colonial Conference, and added : "The arrangement outlined is one in which control of foreign policy by the Dominions is mythical, but responsibility is very real." It predicted that the Canadian Parliament would never consent to this arrangement, and demanded that the promised Constitutional Conference be held to face this and other difficult problems.

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It is by a singular turn of fate that Canada and Ireland should now be linked together in constitutional development. The treaty signed by representatives of Great Britain and of Ireland contains the following clause :—

The position of the Irish Free State in relation to the Imperial Parliament and Government and otherwise shall be that of the Dominion of Canada, and the law, practice, and constitutional usage governing the relationship of the Crown, or the representative of the Crown, and of the Imperial Parliament, to the Dominion of Canada shall govern their relationship to the Irish Free State.

Canada was presumably chosen as the model because her institutions are the oldest and most tried of any of the self-governing states outside of Great Britain. In view of the fact that she is to be the model for Ireland, Canada will need to define her own status and to cure defects in it. She has not power to change her own constitution ; as matters stand, only a change desired practically unanimously in Canada would be enacted by the British Parliament, which is the guardian of the contracts entered upon in the British North America Act among the provinces of Canada. But a substantial majority in Canada might desire changes opposed by a minority. It is not clear that, in such a case, action could be taken. Australia can change its own constitution ; and in this respect, at least, Ireland will probably look rather to Australia than to Canada.

The new position of Ireland is likely to affect the outlook of Canada. For the first time an ancient state, with an old nobility, a long social tradition, and conventions and customs, the growth of Europe, is brought into the same constitutional relations with Great Britain as new countries like Canada and Australia. An old society is apt to look with rather a patronising eye upon a new society, and Canadians have long been accustomed to that air of condescension which Mr. Lowell remarked in the attitude of foreigners to the United States. A Dominion was a new

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thing ; and to say " our " Dominions, with the air of a parent, was natural in Great Britain. But now an ancient kingdom is to become a Dominion. What will be the relation of Ireland as a Dominion to the Colonial Office ? Some new machinery will surely be necessary ; and it might be well to use the occasion in order to leave in charge of the Colonial Office only the Colonies, and to create a new system of communication among the self-governing nations of the Commonwealth. As a matter of fact, in spite of the right of the Canadian Prime Minister to communicate directly with the Prime Minister of Great Britain, it happens rarely that this is done.

The influence of Ireland upon Canada will probably be as real as that of Canada upon Ireland. Since their constitutions stand or fall together, changes of custom in one country will quickly appeal to the other. It is hardly to be doubted that from the first the custom will be established that an Irishman shall be Governor of the Dominion of Ireland. She will have a wealth of men of political education and of dignity to choose from. Will not Canada be likely to follow her precedent and at least try the experiment of a Canadian as Governor-General of Canada ? Then Ireland has definitely turned from federation with Great Britain, and in doing so has probably struck a final blow to the possibility of federating the whole British Empire. As time passes the world-wide significance of what has happened in Ireland will seem more and more impressive.

One of the chief gifts of Mr. Lloyd George is his intuition of the point of view of other people. In his speech of December 14 he might have given offence to Irish national feeling by the turn of a phrase, but he avoided every pitfall. Canada is as sensitive as Ireland in respect to national status. The older men and the older communities in Canada are less likely to feel its intensity than the young in both respects ; but this is by no means universally true. Elderly gentlemen in Toronto, for instance, showed marked

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irritation recently when Mr. Winston Churchill repeated a phrase which he must have learned from Lord Rosebery, that the title-deeds of the British Empire are at Westminster, and comment on it ran from coast to coast. In England it is not easy to understand why a remark so seemingly innocent in form should anger people in Canada. National feeling is itself something of a mystery. It is often hyper-sensitive, and to-day, hardly less in Canada than in Ireland, does it tend to be doctrinaire in applying theories. When Mr. Lloyd George, on becoming Prime Minister, summoned the Prime Ministers of the Dominions, as leaders of "autonomous nations," to sit in the Imperial War Cabinet on terms of perfect equality with Great Britain, this may have been taken in Great Britain as tactful phrasing to meet an emergency, but involving no deep constitutional change. It was not so taken in Canada. There it satisfied the cravings of political self-respect, and it was understood to mean exactly what it said. Canada was to be henceforth the full political equal of Great Britain, in charge of her own destiny and with her title-deeds in her own possession.

Why is it expedient to say this now? The answer is that it may save friction in the future if these truths sink deeply into the consciousness of those who speak and write in Great Britain on imperial relations. It should be remembered in England that those who govern Canada to-day are not Old-Country men transferred to a new scene. The ancestors of most French-Canadians came to Canada quite two hundred and fifty years ago, and England was never to them a "mother country." In the Canadian Parliament there sits hardly a member for constituencies east of Winnipeg who was not born in Canada and whose family traditions are not wholly centred in Canada. From the ridings farther west, and because there the country is new, some members come who were born in Great Britain; but these men have in every case caught the note of the New World. Many Canadians were uneasy about their

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status in the days when Canada was still a colony. They craved for a fuller national life, a recognised position among nations, and now any utterance which falls short of expressing this causes a jar.

### III. THE GRAND TRUNK AWARD

THERE has been much surprise and disappointment in Canada at the manner in which the Grand Trunk Arbitration award has been received in England. The British Press, indeed, has shown not a little unfairness in its presentation of the case, and the Canadian Government has taken no pains to see that the true circumstances are made known abroad. It may therefore be worth while to attempt to correct some misapprehensions, in spite of the lapse of time since the award was made.

The Grand Trunk Pacific, a transcontinental line to the West, was the chief cause of the difficulties of the Grand Trunk, with lines only in the East, and consequently of the arbitration. Its construction was provided for by a statutory agreement between the Canadian Government and the Grand Trunk Railway, made in 1903-04, by which the Government undertook to guarantee securities at a certain rate per mile, and the company to provide any further sums necessary, as owners of all the stock in the Grand Trunk Pacific. This agreement was entered into voluntarily by the directors and shareholders of the Grand Trunk, at the instigation of Mr. Hays, the general manager; indeed, their attitude was one of sanguine enthusiasm at the prospect of securing the advantages of ocean-to-ocean trade. The line from Winnipeg to Moncton, New Brunswick, was, for political reasons, made a part of the plan by the Canadian Government, but of this the whole cost of construction has been borne by the Government itself, the Grand Trunk not contributing a single dollar.

The estimated expenditure in building the Grand Trunk

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Pacific was greatly exceeded. The Government made loans to the company of \$10,000,000 in 1909 and of \$15,000,000 in 1913. Both these sums were guaranteed by the Grand Trunk, but a further \$16,000,000 was lent in 1914 without guarantee, as it was represented that another guarantee by the Grand Trunk would injure its credit. In 1916, 1917, and 1918 the Canadian Government advanced about \$7,500,000 yearly to the Grand Trunk Pacific, and the Grand Trunk was not called on to pay the interest for which it was legally liable on the securities it had guaranteed. In 1919, when the Government was unwilling to make further advances, the Grand Trunk held that without an annual subsidy it could not operate the Grand Trunk Pacific, and the Grand Trunk Pacific went into a receivership. This put the Grand Trunk in a very embarrassing position by reason of its guarantees of Grand Trunk Pacific securities. Negotiations with the Government resulted in an agreement by which the shareholders of the Grand Trunk consented to sell their stock to the Government at a valuation, and it was pursuant to this agreement that the arbitration was held.

It has been often asserted that the Canadian Government treated the Grand Trunk with hostility and took advantage of its difficulties. This view is not justified by the facts. The Government, as shown above, advanced more than \$60,000,000 to the Grand Trunk Pacific, and in addition over \$56,000,000 to the Grand Trunk during 1920 and 1921. It is true that the grants of land in the West were not so great as those made to the Canadian Pacific Railway and the Canadian Northern Railway, but the Grand Trunk could have had these land subsidies if it had been willing at an earlier period to build a Western line. In 1870 it was vainly urged by Sir John A. Macdonald, the Prime Minister, to build the much needed transcontinental railway. Not until 1903, when the success of other Western lines seemed assured, was the scepticism of the Grand

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Trunk directors overcome and the construction of the Grand Trunk Pacific undertaken. The public service thus performed was, of course, not nearly so great as that accomplished by the railways first in the field.

An examination of other suggested explanations for the embarrassment of the Grand Trunk only makes it clearer that the real causes were, first, the decision to build the Grand Trunk Pacific, and, secondly, the control of the management from London. As to the latter, there can be little doubt that absentee directorship has been disastrous. Mr. Taft says in his award: "Had the policy of the company, as dictated from London, been as prudent, as wise, and as effective as the local management through the offices of the Grand Trunk here, the fate of the property would have been different."

It is not proposed here to undertake an analysis of the award, but some of the conclusions may be outlined. The Board of Arbitration ruled out, as not pertinent to the problem of the value of the stock, evidence of the physical value of the property, and this decision now is the subject of an appeal to the Judicial Committee of the Privy Council. The arbitrators, having refused consideration of physical value, based their awards on considerations of past and probable future earnings, as the evidence on which to value the stock.

Their difficulties were greatly increased because the accounts had been kept in such a way that it was hard to determine what the earnings had been. The following quotation is from Mr. Taft's award:—

It appears without dispute that from 1912 until 1920 the London management exercised a discretion to understate operating revenues and to understate operating expenses with a view to making the published statements of the earnings and expenses of the railway different from that which a true transcript of the books would have disclosed. . . . In 1913 the operating revenues were improperly increased apparently in order to justify the declaration of a dividend on the three series of preferred stocks, a full dividend on the first and

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second and half on the third. Then came a period in which the London management was anxious to induce the Canadian Government to take the burden of the Grand Trunk Pacific off its back, on the ground that obligation to run and finance the Pacific road might lead to the bankruptcy of the Grand Trunk. That led the London management to understate their operating revenues and charge the Audit Office Fund during the years 1915, 1916 and 1917 with an aggregate of nearly eight million dollars that should have appeared as additional revenue.

In 1919 and 1920, when the sale of the road to the Government was being faced as the best course, manipulation of the accounts was directed to making the financial condition of the road seem better than it was.

Sir Thomas White points out that the Grand Trunk showed a yearly surplus between 1910 and 1917 (in 1916 this was more than \$11,000,000), but that increasing deficits began in 1918. After examining the probable requirements for deferred maintenance, Government loans, etc., he comes to the following conclusions:—

(1) The actual earning power of the Grand Trunk Railway Company of Canada before, during, and since the war, and, so far as can be estimated, for the future, does not justify the assumption that any profits would, from the date of the acquisition by the Government of the preference and common shares, viz., May, 1920, ever have been available for distribution to the holders thereof, after providing for the contingent liability of the company in respect of Grand Trunk Pacific securities guaranteed by the company and dividends upon the "guaranteed stock."

(2) Having regard to its own continuing heavy deficits, the necessity for making provision for deferred and extraordinary maintenance and capital construction, and its heavy liabilities in respect of securities of the Grand Trunk Pacific Railway Company bearing its guarantee, the Grand Trunk Railway Company of Canada, but for the financial support of the Government since May, 1920, must have been forced into a receivership.

Upon these conclusions I find that the preference and common stock of the Grand Trunk Railway Company of Canada has no value. Any question as to compassionate consideration of the shareholders must be for the Government and Parliament of Canada to deal with and not for this Board.



## The Grand Trunk Award

Mr. Taft, in his dissenting award, adopted a different method. He estimated the gross revenue for 1921 of the Grand Trunk at \$72,000,000, assumed an average yearly increase of 5 per cent., and concluded that by 1926 the Grand Trunk would have a net operating surplus of \$23,400,000; this figure he reached by estimating the operating surplus as 25 per cent. of the gross revenue, which percentage was the average from 1910 to 1917. Of this, fixed charges would require \$20,078,200, but he thought a net income would remain of a great enough size to justify the payment of practically the maximum sum (\$64,166,166) which the arbitrators were allowed to award for the Grand Trunk. He does not attempt to refute the statement that but for the Government assistance the Grand Trunk would have become bankrupt, but he maintains that it is only fair to the shareholders to consider the probable value of the property after five years.

Such is a brief summary of the findings, and no argument is offered here for or against either conclusion. The majority awards have left it open for the Canadian Government to exercise "compassionate consideration" for the shareholders, but even if this is done there will almost inevitably be a feeling of bitterness on the part of the English shareholders which the Government will wish to avoid.

With this in mind it may be well to note a suggested compromise between the views of Sir Thomas White and Mr. Taft. According to this scheme, the shareholders of the Grand Trunk would be entitled to a return on their capital if the total earnings of the Grand Trunk under national management should justify the anticipations of Mr. Taft. Any return would be based on gross earnings, so as not to depend on the efficiency of the new management. If Mr. Taft's picture of the condition of the railway in 1926 were to prove true, a substantial dividend would then be paid. This plan, however, will not avoid the difficulty that railway rates in Canada have been and are fixed by the

## Canada.

Railway Commission, and it is hard for the English shareholder to believe that the wishes of the Canadian Government are not without weight in the Commission's decisions in regard to the rates from which the hoped-for surplus would be accumulated.

Canada. January 19, 1922.

# AUSTRALIA

## I. THE COUNTRY PARTY

**F**OR some time prior to the outbreak of war the Commonwealth Parliament and the Parliaments of the States were divided into two parties, called respectively Liberal and Labour. The Labour Party was the direct descendant of the group which, after for some time holding the balance of power, had gained strength until, in the Commonwealth and in all the States except Victoria, it had had more than an equal share of office and of power. The Liberal Party was composed of representatives of the more conservative section of the community, which had previously been divided between the advocates of Protection and Free Trade, and had afterwards come together in opposition to the more collectivist programme of Labour. During the war a readjustment took place. Many prominent members of the Labour Party were expelled for their advocacy of conscription. They formed a new party in coalition with the Liberals which took the name of Nationalist, their opponents retaining the attractive name of Labour, and with it the support and control of the Labour Leagues. Since the end of the war a third party has emerged composed for the most part of representatives of country constituencies, and variously described as the Country Party, the Farmers' Party and the Progressives. The new party has exercised a great influence on political events throughout Australia, and its origin and policy deserve attention.

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As the names Country Party and Farmers' Party suggest, the original object of the new party was to protect rural as opposed to urban interests. Years ago the annual Conferences of the Farmers' and Settlers' Associations were disturbed by proposals that the Associations should take part in politics as bodies distinct from either of the recognised parties. But in former days it was generally held that the time was not opportune to divert the movement from purely educational and co-operative activities. Expressions of distrust of the recognised political parties were frequent, but as a rule they had no more decisive result than the formation of intra-party groups. These groups were always vigilant against what they claimed to be excessive expenditure in the cities, or over-representation of city constituencies in the ministries ; but as a rule their members obeyed one or other of the party whips. During the war, however, various causes of dissatisfaction arose which brought about a decision to act independently for the future. These causes were in some cases personal, and varied in the different states. But generally it may be said that the growth in numbers and independence of the country parties was a protest against the manner in which primary products, such as wheat, butter and wool, had been controlled during the war, against attempts to fix the price of meat, butter and other products for domestic consumption, and against a tariff designed to foster Australian manufactures. In addition to these particular grievances there was a widespread, if less clearly defined, sense of dissatisfaction with the growth of public expenditure and the consequent increase in taxation, and a feeling that, at all events in New South Wales and the Commonwealth, the executive had become all-powerful, allowing members no real control over expenditure, and always able to prevent criticism from becoming effective by the threat of dissolution. Again, in New South Wales at least, there was widespread dissatisfaction with the methods of the party organisations, and in particular with the method of pre-

## The Country Party

selection, which deterred many eligible citizens from coming forward and was thought to give too much power to the old parliamentary hands.

Undoubtedly the candidates of the new party attracted some votes that would have been given to Labour, either because of the prevailing sense of grievance against war-time administration or because of the hostility of the small farmer to the large landowners which is traditional in New South Wales and, in districts not yet divided into small holdings, is still a powerful factor in elections. But on the whole representatives of the new party were of a conservative type, and their position and tactics varied according to whether the Nationalists were in or out of office. In the Federal Parliament the Country Party, if at full strength, could, in conjunction with Labour, threaten the existence of the Government, and a few months ago, on an economy motion, very nearly defeated it. In Victoria it did actually drive the Government to the country on a motion for a wheat guarantee which the Labour Party supported for purely tactical purposes. In Queensland it forms the larger section of an opposition which is still in a slight minority. In New South Wales it has recently combined with the Nationalists to defeat the Labour Government by one vote. But there the Progressives differ slightly in their composition from the Country or Farmers' Parties. Distaste for the administrative weakness of the Holman Government and for the methods of the Nationalist machine drove into their ranks a number of members from suburban constituencies, and they in consequence have given the party a degree of experience and of debating ability which is not possessed by country parties in other states. There can be little doubt that the formation of these parties has, on the whole, been beneficial to politics in Australia. It has brought into politics a number of men of independent views and character; many of them are extremely well informed in the subjects of interest to their constituents.

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The weakness of these parties is inexperience and a tendency to forget their denunciation of extravagance and of Socialism whenever a farmer constituency feels the need of Government assistance. The test of the new movement will come when its representatives are asked to take part in the formation of a Government. In Australia, where population has become concentrated to so great an extent in two or three cities, it is unlikely that a Country Party will command a majority in any Parliament, or that it can for long remain a third party when the Labour programme is so definite and so relentlessly pursued. In New South Wales the test has come already, for a majority of the Progressives have been forced by the social and financial measures of the Dooley Government to join with the National leader in forming a ministry. Whether their decision will be approved in the electorates is yet to be seen ; but the Progressives in Parliament realised, though with great reluctance, that they could do nothing else.

It should be added that in furtherance of the protest against centralisation and against excessive expenditure in the cities, proposals to form new states, one in the north and another in the south of New South Wales, and a third in the north of Queensland, have been made. But these proposals are as yet very nebulous, and cannot become effective except in connection with the reform of the Federal Constitution. Had the proposed Constitutional Convention been held it would have been necessary for the Country leaders to bring forward their plans and to expound them in greater detail than they have done hitherto. But the Convention has now been abandoned, and for the present no arrangement has been made as to the steps which are to be taken to bring about the division, although the Country leaders still consider them to be vital to the development of their districts and to the progress of rural industries.

# The Brisbane Conference, 1921

## II. THE BRISBANE CONFERENCE, 1921

FOR some years there has been a gradual decrease of confidence among Australian trade unionists in the efficacy of political action. During the war this distrust increased. The split between the industrials and the politicals in the Labour movement deepened, and the conscription campaign proved that the section labelling itself "industrial" had most influence in the movement. But these so-called industrials were not really anti-political. What they wanted was control of the political Labour movement by actual trade unionists to the exclusion of the more purely political supporters, whose labourism was a matter of opinion and not of status. Since 1916 the leaders of the industrials have been in power in the Australian Labour Party (A.L.P.). Their attitude to the conscription question, and their part in the 1917 strike in New South Wales confirmed their leadership and gave them the appearance of being on the left wing of the movement, whereas they were really moderates of the centre. The position of Labour, as the official Parliamentary Opposition all over Australia (except in Queensland), enabled its leaders to sustain this rôle of "leftism." For they had, not to administer nor to legislate, but only to criticise. The federal conference of the A.L.P., held at Perth in June, 1918, by putting forward the much-discussed Labour terms of peace, further maintained the confidence of the industrial workers. So the war period ended.

But it was soon evident that the industrials of 1916 and 1917 would not satisfy the industrials of 1919, and a cleavage was imminent. Opposition between them was most advanced in New South Wales, and it was there that the split came in. The A.L.P., which is really only concerned with the political side of labourism, was largely being dominated by the Australian Workers' Union

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(A.W.U.), the biggest union in Australia. The A.W.U., though professing to be an industrial union, is really organised on a loose and flexible basis enabling it to include shearers and pastoral workers, metal miners, sugar workers, carriers, meat industry employees, timber workers, and others. It was objected that this was a mere amalgamation with no constructive basis and no industrial grouping, that its orientation was not primarily industrial but political, and that it should be replaced by a more scientific organisation known as the One Big Union. The moderate leaders of the A.L.P. defended the A.W.U.; the left wing of the movement supported the One Big Union proposal. In 1919, at the A.L.P. conference in New South Wales, the representatives of the latter section were out-voted and thereupon formed a new organisation, the Industrial Labour Party, to realise the political aspirations of the militant section. For so doing the militants were expelled, but they ran candidates for the New South Wales State elections in 1920, one being returned.

Since the peace, however, the One Big Union propaganda had been widespread outside the political Labour movement, and, at a conference in Melbourne in January, 1919, the Workers' Industrial Union of Australia was formed and the One Big Union was regarded as having come definitely into being. The only section of it which was formed was the Department of Mining, including the powerful Coal and Shale Federation and the Metal Miners' Organisations. With these exceptions only a few small unions endorsed the scheme. There were thus two industrial organisations, each with a political reflex, competing for the support of the workers of Australia through 1919 and 1920. The course of events in Russia was not without effect on the situation. A drift from the A.L.P. set in, but there does not appear to have been a corresponding increment of support for the One Big Union. Interest in political labourism as constituted in Australia waned, and its characteristic institution, the A.L.P., was losing ground.



## The Brisbane Conference, 1921

In 1921 a movement for Labour unity began to evolve. The federal executive of the A.L.P., conscious of the decline of its influence, determined to call a conference of all the trade unions in Australia in order to discover the mind of the industrial movement. The recommendations of this conference were then to be considered by a special federal conference of the A.L.P. The leaders of the more militant section of the workers were in the mood to be responsive. Never unmindful of the course of events in Russia, they were just then considering the latest deliverance of the Oracle at Moscow. This is contained in a small book called *Left Communism*, written by Lenin in 1920 and republished in Australia in two or three editions. Its sub-title is "The Infantile Sickness of Leftism in Communism." It is wholly concerned with the tactics to be adopted by the revolutionary proletariat and it is, in essence, a protest against the intransigence of left wing Communists the world over. It is a dexterous defence of the policy of compromise by a very astute leader and it takes the form of upbraiding the stalwarts of the left for their haughty refusal to be concerned in any way with bourgeois politics or to work together with reactionary trade unionists. Only by participation in these institutions, however contemptible they may be, will the Communists achieve that influence over the workers *en masse* without which the dictatorship of the proletariat will be an idle fancy. "Not to work within reactionary trade unions is to leave the backward masses to the influence of reactionary leaders, Labour aristocrats, and bourgeoisified workmen" (p. 37). Accepting this advice and the invitation of the A.L.P. the One Big Union propagandists formed an influential section at the All Trade Unions Conference held in Melbourne in June, 1921.

The attitude of the Conference was made clear in its first recommendation, which concerned the "objective" of the party. The objective of the A.L.P. at this time is perhaps worth quoting.

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(a) The cultivation of an Australian sentiment, based on the maintenance of racial purity, and the development in Australia of an enlightened and self-reliant community.

(b) The securing of the full results of their industry to all by the collective ownership of monopolies, and the extension of the industrial and economic functions of the State and Municipality.

(c) The prevention of war through the settlement of international disputes by a tribunal clothed with powers sufficient to enforce its awards.

The Melbourne Conference recommended in place of this objective "the Socialisation of Industry—Production, Distribution and Exchange."

This was certainly a break with the past. The Labour Party had prided itself on its Australian Nationalism and had never faltered from the White Australia policy as the expression of this sentiment. But in this proposal is clearly seen the influence of the Marxian doctrine of "Historical Materialism." The economic system of a nation is considered to be the efficient cause of its politics. Of what use is it, therefore, to tinker with its superstructure? Australian Nationalism and the League of Nations, as expressed in (a) and (c), are secondary derived policies. It is the business of Labour statesmen to confine their objective to essentials. The second clause (b) had done this, it is true, but it was indefinite and bore the taint of state capitalism. For these reasons the shorter and more frank objective was recommended. This objective was to be realised by industrial and not craft organisation among the unions, by nationalising and municipalising appropriate services, by the government of nationalised industries by boards on which the workers and the community should be represented, and which should function under the direction of a Supreme Economic Council; also Labour colleges were to be set up and Labour information bureaux established. It was not suggested that attempts to realise the objective should be confined to the industrial field. Participation in political action was recommended, and it was suggested that those who were actually fighting working class battles

## The Brisbane Conference, 1921

should be included as members of the A.L.P., if they wished, no matter what other organisations they might be supporting. This is obviously an attempt to follow the advice of Lenin. The report on industrial organisation recommended the formation of One Big Union for Australia, to be called the Australasian Workers' Union.

Finally the Conference set up a Council of Action, thirteen strong, which was to foster the scheme for industrial reorganisation and which was to hold a watching brief at the ratifying conference of the A.L.P., taking appropriate action if that conference should prove unsatisfactory. Other motions were passed recommending a monopoly of credit operations for the Commonwealth Bank, condemning militarism, upholding self-determination for Ireland, protesting against Imperial Federation, and commending the establishment of a chain of Labour daily newspapers throughout the Commonwealth.

The Federal Executive of the A.L.P. considered these findings, and recommended that the alteration of objective as therein stated should be endorsed at the special conference of the party which met in Brisbane on October 10. Thirty-four delegates were present, of whom sixteen were members of Parliament. New South Wales, where the political-industrial split has been deepest, was represented by six delegates, who voted solidly for the *status quo* as against the new proposals. A full-dress debate took place over the proposal to change the objective. No less than four amendments were moved on this motion, but all were lost. Three of the amendments attempted to retain the clauses in the existing objective which supported the White Australia policy and declared for the cultivation of Australian nationalism, but the Conference by 22 votes to 10 declared itself in favour of the objective recommended at Melbourne. Nine out of this minority of ten came from the States where Labour Governments were in power—*i.e.*, Queensland and New South Wales. This swing to the left was immediately counteracted by a swing to the right

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when the Conference affirmed that the objective should be achieved by "constitutional methods of industrial and parliamentary action," the inclusion of the word "constitutional" being regarded as a victory for the moderates. Thereafter the mood of the Conference swayed between the left and the centre. After craft unionism had been declared obsolete, a motion embodying Australian national sentiment in terms of the White Australia policy, mention of which had been deleted from the objective, was carried unanimously. The Melbourne resolutions with regard to the government of nationalised industries by boards, the establishment of a Supreme Economic Council, and the setting up of Labour educational agencies and of a chain of Labour dailies were endorsed, though not without keen opposition on various points which was led by Mr. Theodore, the Labour Premier of Queensland, supported by Mr. Catts, a Federal Parliamentarian from New South Wales. The report on industrial organisation recommending the formation of the One Big Union, which included the much discussed preamble that reproduced the phraseology of the old I.W.W., was not discussed, on the ground that it was an industrial matter, and, as such, was beyond the scope of a political conference. It is somewhat difficult to reconcile this attitude with the Conference's previous endorsement of industrial unionism. Finally the moderates resolved upon another trial of strength, and on the last morning of the Conference a motion was carried to the effect that the Party proposed collective ownership to prevent exploitation to whatever extent it may be necessary, but that private ownership where it was functioning "in a socially useful manner" should not be abolished. This was a distinct repudiation of the principles of the previously adopted objective, and it was hotly attacked as being out of order; but the chairman (a Queensland Parliamentarian) ruled the motion in order, and it was carried by 15 votes to 13. The objective had been carried by 22 votes to 10. The remainder of the proceedings were not contentious.

## The Brisbane Conference, 1921

It is obvious from this survey that, beyond an increase in the policy of permeation as recommended by Lenin, the Conference was by no means a decisive event. It disclosed a strong body of delegates with leanings towards a militant policy compounded of Soviet and Guild Socialist elements. It disclosed a determined minority, not enamoured of such schemes, and content with Labour opportunism within the existing system, and an ultimate, but rather vague policy of State Socialism. Its deliberations can hardly be said to have given satisfaction to any particular section. The Communists are annoyed at the half-hearted endorsement of their propaganda. The Parliamentarians, apprehensive of the militant tone of the Melbourne Conference resolutions, are pleased to have toned them down. The Council of Action professes to believe that Brisbane really granted all that Melbourne asked for. The rank and file of the movement is conscious that there has been a stirring of the dry bones of political labourism, but it cannot yet see that the breath of life has been breathed into them by the tactics of the militants. For the rank and file feels that the real aim of the whole proceedings—Labour unity—has not been attained. All that has been done is to bring the protagonists of more extreme action face to face with the leaders of the moderates. Neither has given way to the other, nor from their deliberations has there emerged any coherent policy capable of swinging the Australian Labour Movement into that unity of purpose which characterised it at the beginning of the century.

# Australia

## III. IMMIGRATION

**I**T is frequently stated that Europe, and especially Great Britain, is over-populated. Australia is certainly under-populated. The too crowded state of European countries may lead to very severe economic difficulties. The under-population of Australia results in economic and other evils due to causes of the reverse nature. Her strategic isolation is made more dangerous because of the scanty numbers and resources available for her defence. She cannot find sufficient labour or capital to develop her vast territory to the fullest extent. Railways and public works become a heavy burden and big undertakings fail for want of population. Land settlement is difficult for want of adequate markets. The five million people now in Australia would probably possess more stable prosperity if they were concentrated on the east coast of New South Wales or in Victoria. The scattering of a small population over so large an area creates not a few social difficulties. The loneliness of the settler on the large farms is unnatural, especially to the newcomer from England, where less than 20 per cent. of the population is rural. Capital also has to be dispersed over too wide an area, and in this way it is less efficient and a good deal is wasted. The need for greater numbers is thus paramount—not only would the extra population in itself bring a large addition to our wealth, but by remedying the evil of under-population it would render prosperous areas and undertakings which are now languishing for want of producers and consumers.

The spectacle of 5,500,000 people occupying such a huge territory and utilising it as they do is one of the most remarkable incidents in social and economic history. It indicates much virility and enterprise. The skill with which the pastoral industry has been built up has been remarkable, and the advantage of unstinted doses of British

## Immigration

capital has been all-important. But to the individual there are advantages in such a spacious existence. It gives him large ideas and a sense of freedom. It has permitted him also a variety of social experiment. Hardly understanding the basis on which his well-being rests, the Australian settler loves his extensive methods of development, and despises the methods of the petty cultivator and peasant of Europe. The worker, on the other hand, sees a considerable advantage in the scanty nature of the labour supply, quite insensible of the fact that the cost of living then becomes so high that his high wages are of little extra value to him.

Thus at a period when the need for a greater population is most apparent, we find in Australia a positive opposition to immigration by the worker, and an unreadiness in other sections of the community to adopt methods which are necessary if immigration is to succeed. Such an attitude, if shortsighted, has one merit. It induces a feeling of caution in the advocate of immigration, and prevents him from making blunders which would defeat his object.

Wholesale attempts at immigration into Australia would probably fail and justify all the hostile criticism which is made of it. Countries in which population is arriving generally show great prosperity. Wages are high. The new immigrant immediately demands labour for his house and furniture, implements and food. He generally brings some money with him to pay for it. But there is a distinct limit to the absorptive capacity of a country. Its economic machinery cannot be indefinitely extended on a sudden. Wholesale immigration may easily create unemployment and the breaking down of industrial standards. Besides, the influx of new residents puts up rents and land values, and their money causes inflation and rises in prices. There is a tendency to boom and reaction which often causes harm to the whole movement. And the difficulty applies particularly to Australia. In the United States and Canada

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settlement developed more slowly from the ancient starting points in the east of that continent. There remained at the period of maximum immigration huge areas of unoccupied land in the hands of the Government. In parts of the Middle West of the States and Canada this was of good, even quality, admirably suitable for wheat. A crop could be produced in the first season. The State could thus easily settle vast numbers on the land, and they could be producing in a very short time. In Australia a very large proportion of our Crown lands were taken up by pastoral occupants in the early days. Though they were not intended to get the freehold, they obtained a great deal of it by various devices, so that before the end of last century a very considerable proportion of the land fit for agriculture had been obtained in fee. And to-day, though there are vast areas of Crown lands in Australia, there is not very much of it in areas where the climate is suitable for agriculture. Land settlement in Australia is thus complicated by the problem of land values. In order to settle immigrants it would be necessary to expropriate the present holders and pay them current prices. Now strictly speaking, the value of land is based upon what it will produce. But one or two other factors creep in. In the first place land is desirable for other purposes than production. It makes a home. It confers distinction on the owner. It is unique as a pledge for money. It cannot be destroyed, and, as it tends to rise in price, one does not stand to lose by investing in it. This all tends to bring the price of land above its productive value. Lastly, a skilled farmer can produce more than an amateur from the land he works. The price of land thus tends to be above what an amateur or an immigrant can pay for it and succeed. Where Governments are demanding land for settlement purposes, the price soars and the result is often that men are settled on land at too high a price and a considerable proportion of them fail. These considerations are mentioned to show that the difficulties in the way of immigration cannot be ignored and that



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public schemes of immigration on a large scale often lead to disaster unless great care is exercised.

These objections have induced a feeling of timidity on the part of politicians. The Labour Party is inordinately suspicious and sees in every step in favour of immigration some attempt to break down Labour standards. The general body of healthy opinion on the subject does not become sufficiently vocal. There are signs, however, that this is changing. Sir Joseph Carruthers, with his scheme for a million farms for a million farmers on unalienated Crown lands has caused a great deal of interest, while the Lord Mayor of Melbourne has received an immense amount of support all over Australia for a New Settlers' League, the object of which is to welcome immigrants and facilitate their placing in employment. Lord Northcliffe also stimulated public feeling by a startling presentation of our danger. But the progress of the work depends upon a thoughtful, systematic and enterprising handling of the principal and minor problems involved in the whole policy of immigration. Uncontrolled immigration would probably do less damage in the long run than the Labour politicians profess to fear. But methods are available by which large numbers of immigrants can be secured without any disturbance of social and economic conditions. For instance, boys can rapidly adapt themselves to new conditions. Apprenticed or adopted into families they soon merge into the life of the community fully equipped for its struggles. Women also are in constant demand for domestic service. Immigrants of this type rarely remain unemployed for more than a few hours after the boat arrives. Subsequently they marry and take a valuable part in the life of the community.

The practice of nominated immigration also affords a means of introducing new settlers without any disturbance of existing conditions. Both those who have been born in Australia and recent arrivals have friends and relations in Britain, seeing opportunities here and knowing the

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capabilities of their friends they can nominate them as immigrants and get specially favourable terms for passage money. The nominator in these cases has a special responsibility for the nominee. He will not make the nomination unless he is sure of the vacancy and the suitability of the nominee, and when he arrives he takes a special interest in him. Before the war the practice of nomination was reaching great proportions and it is now being restored. It is expected that we will have had nearly 13,000 immigrants from Great Britain during the year 1921.

One world movement which is showing itself will greatly assist industrial immigration. This is the movement of world-famous firms to inaugurate manufacturing establishments near the source of the raw material. The proximity of vast markets in the East and the advantages of cheap sources of power in Australia, such as the vast field of brown coal in Victoria and the water power in Tasmania, are inducing British firms to start branch factories here. Lysaghts have started a factory for galvanised iron in Newcastle. The famous confectionery firms of Cadbury and Pascall have started a joint enterprise at Hobart and the Swiss firm of Nestlé have started a milk product factory in the western district of Victoria. Big developments are hoped for, and Australians desire to turn into finished cloth a much larger proportion of our raw wool. The immigration of workers qualified for particular industries which it is intended to start should be organised. Skilled men would tend to educate the industrialists. The most important type of immigration of all—that directed to settle and develop an empty country-side—needs deep consideration. To some extent we are suffering from difficulties pointed out by Gibbon Wakefield, from neglect of his advice. It might not be out of the way to start a Land Settlement Association in imitation of his Colonisation Society to study the problem on scientific lines. In California modern community settlements have been established on the basis of an experience covering half a

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century. They are, it is understood, highly successful. A capitalist will acquire a large area of land at its prairie value. He will have it surveyed by land surveyors, water and mining engineers, soil experts, road and bridge constructors. Upon their data months will be spent in planning the estate out on suitable lines. The farms will be laid out, fenced and planted before a single acre is sold. This is done on a comprehensive scale by team work and at a moderate cost. Provision is made for common utilities and administration, and also for a residential section because the place is attractive. Industries are inaugurated on a co-operative basis for handling the products. The whole is built up as a complete economic unit and the staff maintained for the purpose of advising settlers. The farms are sold just before they come into bearing. It will be seen that not only does such a scheme solve many of the social difficulties involved in new settlements such as the loneliness, the ignorance of the new settler in the selection of and working his block, but it solves the difficult question of land values. The block is almost immediately reproductive, and the original unimproved value is unimportant compared with the valuable improvements which give the land the ability to produce immediately. Such schemes are well justified from the capitalist point of view, each additional development which brings the whole nearer completion being represented by other greater increases in the value of the whole as a going concern. In Australia there are Government settlements which have proceeded a good way on the American lines. They appear likely to succeed very well, but in their lack of some of the most characteristic features of the American system, the co-operative industries, the systematic and economical development, there are elements of weakness. The completeness of the American system is a great factor in its success. Government policy also lacks continuity and is subject to strains and influences which prevent the systematic application of principles. Though

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Australia is loath to allow private enterprise to indulge in these schemes it would probably be better for her to do so and the opportunity for capitalists is a very good one. From the point of view of the immigrant such schemes, whether governmental or private, are excellent. He can select a block before he leaves England. When he arrives he will find a going concern in which he will find his place and where he can be tutored for the first few years.

Our vast spaces, our vast responsibilities and scanty population have tended to make the Australian people shy of big schemes. Many have failed which might have succeeded with more determination. The need now is so urgent, that we must see that there is more enterprise shown in the future.

Australia. December 1921.

## SOUTH AFRICA

### I. POLITICAL AND ECONOMIC SITUATION

LITTLE has been heard of Secession since the General Election of 1921. The subdued tone adopted by the Nationalists in the last parliamentary session has been reproduced in the life and assemblies of the party in the country. Recent congresses of the Transvaal and Cape sections have, indeed, reaffirmed the principle of independence; there has even been some disposition to make use, with imported Irish assistance, of the Sinn Fein example as a stimulus for flagging Nationalism. But the effect of the amalgamation of the Unionist and South African Parties is increasingly evident. There is little sting in the Nationalist constitutional attack and little confidence in the set reiteration of its Republican aims. The settlement of the Irish question as between Great Britain and the Irish Free State and the substantial success of the Washington Conference cannot fail to further the change in the character of the Nationalist Party, which is becoming less and less a separatist body and more and more of a regular parliamentary opposition.

But, if this result is to be achieved, the new habit and temper which have been generated out of General Smuts' new party combination must have time to establish themselves. Politically the union has more than justified itself. Fears of disruption on race lines may be regarded as ended unless one of those malignant accidents which we in this country know so well should call forth the unexpected.

## South Africa

On the other hand there are disquieting signs of economic differences which will strain the cohesion of the party, and thereby endanger the stability of the Government.

The Prime Minister, in a recent speech to a delegation of public servants, laid emphasis on the seriousness of the economic position. The railways are facing a deficit of over three million pounds and have been driven to borrow from the Treasury, which is itself faced by a deficit for the current year of perhaps half that amount. The railway administration cannot increase rates and the Government is reluctant to increase taxation. Neither in the railways nor in the general State services is it politic to aggravate the problem of the unemployed by wholesale dismissals. The only alternative is the reduction of costs, particularly wage-costs. War bonuses are steadily disappearing; the uniform eight-hour day is being abandoned on the railways; there are to be "cuts" in various directions.

These proposals have met with widespread opposition, though there is a suspicious similarity about the resolutions which have come in from the different parts of the country. The Prime Minister's demonstration that, apart from the security of tenure which they enjoy and after all reductions have been made, Government servants will be in receipt of pay much higher—in some cases as much as 75 per cent. higher—than the pre-war level, has done little as yet to abate the storm. It is significant, by the way, of the manner in which the Nationalists are shifting their attack from the constitutional to the economic battleground that General Hertzog has openly shed the light of his countenance upon the protesting railway servants. On the general policy of reduction, however, a great mass of public opinion supports the Premier. A growing realisation of the facts of the economic situation leaves no other alternative open.

Two factors hamper the Government in carrying its policy into effect. One of these is the state of mind bred

## Political and Economic Situation

of the economic expedients adopted during the war. Because the times were so abnormal that economic consequences had to be ignored, and because few evil results were immediately apparent, the popular mind has become infected with the idea that the science of economics is moonshine. It is still not widely realised that the present situation is itself the best proof of the reality of economic forces as described by the thinkers of the past century. Hence the wildest schemes are advocated, such as the printing of another twenty million pounds of Government notes and elaborate devices for dispensing with a gold standard. Objections are met by triumphantly pointing to what was done in the war. The dislocated economic machine of war time is taken as normal; we are urged to cure anæmia by bleeding. This *malaise* of economic ideas will, doubtless, cure itself; but the Government is doomed to lose a good deal of ground, politically, during the process through its refusal to apply any regimen but the drastic one of spare diet and vigorous exercise.

The other factor is one which operates with less real credit, though also with less apparent harm at the moment, to the S.A. Party. For it is a factor which affects the very constitution of the party itself. The combination was formed to meet a great *political* danger, and this it has met triumphantly. It is not constituted to serve as an instrument of commanding action in an economic crisis. Economically it includes widely divergent interests—Free Traders and Protectionists, town and country interests, land-taxers and anti-land-taxers, economic high Tories and economic advanced Liberals. In a crisis these components tend to neutralise one another, and action tends to be nerveless and hesitant.

At the same time the Party does represent very fairly the propertied interests and its action is more likely to be decisive against Labour than in any other direction. More has been done to reduce wages and bonuses than to reduce the cost of living. Almost at the same time that a

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reduction of allowances was announced the importation of boots was suspended in the interests of South African manufacturers. More serious was the fate of two Bills which were framed to give to Labour a representative voice in the determination of its own interests. A Wages Boards Bill and an Apprenticeship Bill passed the Assembly, but were rejected by the Senate on the very last day of the session on the ostensible ground that they were being rushed. The circumstances of the rejection aroused a good deal of suspicion and were adroitly used by Labour leaders to deepen the impression that the Government was united only in its determination to have reductions at all costs. There is good reason to feel that the Government did itself less than justice in this matter and it certainly came out of the affair with damaged credit.

The result was seen quickly in two by-elections in urban constituencies in Cape Town. In one the Labour candidate was returned by an unexpectedly huge majority ; in the other the Labour Party won a seat which almost everyone had expected the S.A. Party to retain. In both elections the turnover of votes was very great ; and it would be a mistake to explain it, as local party organs have done, entirely as a result of a blind desire to kick Government because of depression. The truth should be faced that the Government has hardly done itself justice, for it is better than its record.

If the lesson is learnt the success of Labour may be only temporary. But if it is not, and the depression continues, then the most promising opportunity we have yet had of really ending serious racial friction in this country may be let slip through a short-sighted attempt to pursue a sound economic policy in a one-sided way.

One other respect in which excess of caution on the part of the Government may have unhappy effects is that of development. This is a country of moods, where the crest of a boom rises unusually high and the trough of a depression falls unusually low. Fits of over-confidence



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alternate with fits of the blankest pessimism, a feature which is, perhaps, to be expected in the circumstances of a still developing country. During the post-armistice boom there was much overtrading. The speculator was everywhere ; huge indents were made by merchants and farms were purchased with borrowed money at impossibly high prices. The banks allowed the bonds of credit to be dangerously stretched. Now the cold morning fit has come and lassitude and nervousness may check even healthy activity. There are signs that the Government itself is not unaffected and the standpoint of the nervous trader tends to displace that of the well-balanced statesman. But now that it has been found possible to raise a loan of five million pounds under conditions that promise at least an equal additional amount should the Government come again, there is no justification for the panic mood which would stop all development whatsoever. Such action can only prolong depression and make recovery more difficult. Naturally there are enterprises which, at present prices, would result in impossible burdens of interest if they were pushed on now. But there are others, such as certain railway extensions and irrigation works, which cannot very well wait. Government orders would strengthen confidence, provide employment and help to set industry going again. Moreover, there are welcome signs that agricultural depression is passing. Maize and tobacco keep low, but wool is improving, and the fruit industry appears to be on the threshold of a vast expansion. Anxiety about the gold mines is always with us, and, as is made clear in the next section, we are faced with a very serious crisis, which affects not only the Rand but the whole economic system of the country. All the more reason, then, for pushing on with development wherever possible, so that we may be able to find some economic refuge in the day of visitation.

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## II. STRIKES ON THE RAND

THE rapid fall in the price of gold during the last few weeks of 1920 from 110s. to 98s. per oz. has brought the gold-mining industry face to face with a long-expected crisis, and the efforts made to meet the situation by securing a substantial reduction of working costs have produced an industrial conflict of unusual gravity, in which other industries besides the gold mines are involved.

The war caused a heavy increase in the working costs of the gold mines of the Rand. In the first half of 1915 the working costs of these mines averaged 17s. 5d. per ton of ore; in the last quarter of 1919 their working costs per ton averaged 23s. 9d. This increase was mainly accounted for by the increased price of stores and materials and by higher white wages. In June, 1919, the Government appointed a Commission to consider the position of the low-grade mines. This Commission, which was presided over by Sir Robert Kotze, the Government Mining Engineer, its principal adviser on all technical questions affecting the mining industry, reported in May, 1920. For the purpose of its inquiry, the Commission regarded as low-grade mines those mines which were working at a loss or were making a working profit of 2s. per ton or less in the absence of any premium on gold—that is, with gold at its normal value of 85s. per fine ounce. On this basis, it reported that :—

During the months September to November, 1919, twenty-five mines would have worked at a loss or at a working profit of 2s. per ton or less.\* These twenty-five mines employed 11,656 white

\* It appears from a table attached to the Report that of the twenty-five mines referred to fifteen would have shown an actual loss.

## Strikes on the Rand

persons, 88,164 natives, and produced gold nominally (i.e., at its normal value) worth £1,144,490 per month at an average working loss of 0·34d. per ton. They paid during 1919 £7,250,000 in wages and salaries and £5,500,000 in stores. From an employment and expenditure point of view they constituted more than half of the industry.

Until July, 1919, South African gold was, under an arrangement with the British Government, sold to the Bank of England at its par value of 85s. per fine ounce, less an inclusive charge of 25s. per cent. for insurance, freight, refining, etc. The adverse movement of the American exchange against the United Kingdom, owing to the depreciation of the British paper currency, became pronounced during 1919; and it was clear that if South African gold could be sold to America, or on the American basis, and advantage could thus be taken of the adverse exchange, the gold producers would benefit substantially. On July 24, 1919, the restrictions on the disposal of gold which had hitherto been operative were removed, and a practically free market for gold was restored. Since that date the sale of gold has in effect been on the basis of the American exchange, and a substantial premium (from 20s. to as much as 42s. per fine ounce) has been realised over and above the nominal value. This change in the situation has given temporary relief to the low-grade mines and has deferred the inevitable crisis.

The Commission, in its report of May, 1920, emphasised the point that the respite was only temporary, and that when the premium fell the position of the low-grade mines would be even more serious than in the beginning of 1919, owing to the increases in costs since the premium became effective. This prophecy has unfortunately been fulfilled. In response to demands based on the increased cost of living, further increases of European wages were granted in the latter part of 1919, and again early in 1920, which were only rendered possible by the existence of the gold premium; and although a beginning has now been made in the process

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of reduction, working costs remain at a figure substantially higher than in 1919.\*

The principal relief measures recommended by the Commission were :—

(1) Increase of the number of native labourers by temporarily removing the existing prohibition on recruitment of natives from tropical Africa north of latitude 22° S.

(2) Rearrangement of underground work in order to provide for a longer effective working day for natives underground. It was pointed out that owing to the reduction of the European worker's day to eight hours and the provision of regulations requiring the white workman to be personally responsible for inspection of working places and blasting, the native's effective working day had been reduced to an average of about five hours.

(3) Removal of the legal colour bar which excludes the native from many classes of work on the mines, and extension of the native's sphere after consultation and in agreement with the trade unions.

The Commission was unanimous in recommending measures (1) and (2), but the trade union representatives on the Commission opposed the removal of "the colour bar."

Of the three proposals the third was the most obviously controversial; but all involved, directly or indirectly, the question of the relations between white and coloured labour, and were therefore calculated to arouse opposition on the ground that they endangered the economic status of the white man. So long, therefore, as the gold premium stood at a figure high enough to enable the great majority of the low-grade mines to continue working, there was strong temptation to postpone the difficult task of taking measures to meet the crisis which would arise when the premium fell; and to this temptation both the Government and the Mine

\* It is understood that the average working costs per ton for the last few months of 1921 were approximately 25s. European wages on the gold mines are being reduced under an agreement which provides for reduction on a sliding scale proportionate to reduction in cost of living, until the percentage increase in cost of living has fallen from 57 per cent. (the highest figure reached) to 21 per cent. The maximum increase of wages for the skilled employee, drawing £1 a day before the war, was 8s.—i.e., 40 per cent.

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Workers' Union, and perhaps even in some measure the leaders of the mining industry, have succumbed—" *Morre is ook 'n dag* " (" To-morrow is also a day "), as the South African proverb has it. Negotiations as to suggested alterations of mining regulations took place between mine owners and trade unions, but for a long time these proved abortive, and until November, 1921, when the price of gold had already fallen to 104s., nothing was done.

With regard to the first of the measures proposed—the renewal of recruiting of native labour north of latitude 22° S.—the prohibition against such recruiting was imposed in 1913 on account of the heavy mortality of these tropical natives—drawn mainly from the northern portion of the Portuguese territory of Mozambique—from pneumonia. The discovery of pneumococcal vaccine, which is now regularly used for inoculating native labourers on the Rand mines, and other improvements in hygienic measures which have taken place since 1913, render it extremely unlikely that there would now be any abnormal mortality among these tropical natives ; but the removal of the restriction which was imposed in 1913 involves far-reaching political and economic considerations. The throwing open of fresh territory outside the Union as a recruiting ground from which raw natives can be introduced to swell the forces of unskilled labour available for industries in the Union must tend to make South African industries rely more and more for their expansion on increasing their force of uncivilised labour instead of on making better use of civilised labour, and thus tends to weight the scale, not only against the white worker in the Union, but also against the Union natives, who are to-day benefiting in increasing numbers from education and other civilising influences at work within the Union, and emerging from their primitive tribal conditions. When the restriction was imposed in 1913 General Botha's Government gave a pledge that it would not be removed except with the consent of Parliament. General Smuts' Government has not

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sought Parliament's consent to its removal; and though there has been no definite declaration of policy on the subject, it may be assumed that it does not intend to do so.

With regard to the second measure proposed, it certainly seems amazing that a system of working which keeps the native labourer underground for ten hours or more daily while only allowing him to work for about five hours should have been tolerated for so long. But it required General Smuts' personal intervention in November last to persuade the representatives of the Mine Workers' Union to consent to a change of system which would partially obviate this scandalous waste of available labour. The fundamental difficulty was the white worker's fear that any changes proposed would enable the native to assume greater responsibility, and would thus weaken the white man's privileged position, and lead to a reduction in the number of white men employed. A plan was finally devised which represented a practical step towards enabling the native to do a full day's work without involving any serious encroachment on the white worker's privileges, and the consent of the unions to this plan was secured on November 15; but before there had been time to gain much practical experience of the value of the changes introduced the Chamber of Mines was forced by the rapid fall in the gold premium to put forward fresh and more drastic proposals which directly affected the status of the white employee. Such proposals had been clearly foreshadowed by the attitude of the Chamber's representatives in the November conference, when it was stated by Sir Evelyn Wallers that the amendment of the regulations then proposed "would not achieve a great deal," and that further changes would be essential in order to put the industry on a sound footing.

The negotiations which have led to the present strike on the gold mines were opened by a letter from the Chamber of Mines to the South African Industrial Federation which was published on December 9. In this letter attention

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was drawn to the further fall in the gold premium;\* and it was pointed out that when the price of gold per fine ounce fell to 85s., 24 out of the 39 gold mines on the Rand would be making a loss, and 10,000 Europeans would be thrown out of employment. "The Chamber considers," the letter continues, "that there are three means whereby some alleviation of the position may be obtained, which, although probably not saving all the mines, would certainly go a long way towards saving some of them. The means which the Chamber would propose are:—

1. An alteration in the system of underground contracts.
2. The modification of the *status quo* agreement (the agreement between the Chamber and the unions which regulates the proportion of white to coloured employees); and
3. A rearrangement of underground work."

After referring to underground contracts, and expressing the opinion that "the prices paid for the work are out of all proportion to the value of the work done," and stating that it is proposed to introduce a new form of contract, the letter proceeds:—

In regard to the *status quo* agreement the Chamber is of opinion that the time has arrived when this agreement should be limited to skilled occupations only, and that the mines should make greater use of experienced native labour in semi-skilled occupations. It is not the intention of the Chamber to suggest that natives shall replace Europeans in skilled trades and occupations, such, for example, as those of mechanics, miners, etc., but that they should be employed instead of white men in those semi-skilled or unskilled occupations which natives are well able to, and in some cases actually do, perform—such, for example, as those of pump attendants, cleaners, greasers, rough pipe fitting, sanitary service, waste packing, and so on. It is not the Chamber's desire or intention to affect in any way the employment of tradesmen or skilled Europeans on the mines, but rather to secure for such employees wider opportunity of employment by ensuring that the mines will continue to work when the price of gold falls. I am desirous to emphasise most

\* The price of gold per fine ounce was 100s. 3d. on December 10, 98s. 10d. on December 12, and a few days later 97s. 4d.

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strongly that it is only by some very drastic reduction in the cost of production that the mines can be kept going. . . .

The proposed modifications would (on the assumption that the existing mines continue) involve, over a period of months, if not years, a reduction, not necessarily all by retrenchment, of at most 2,000 in the number of unskilled and semi-skilled Europeans at present employed, and probably much fewer.

The alternative to this proposal would be, the Chamber reiterated, the premature closing down of mines and loss of employment to over 10,000 Europeans, skilled and unskilled.

A conference to discuss these proposals was invited for December 15, and this invitation was accepted. The second of these proposals—"modification of the *status quo* agreement"—was regarded by the unions as involving an attack on the "colour bar," and though other important questions are involved in the Chamber's proposals, it is round this question that the main controversy has since raged. In order that the position may be appreciated, some explanation must be given of the senses in which the term "colour bar" is used, and of the sanctions on which the maintenance of this bar depends.

For the origin of what is known as the "legal colour bar" it is necessary to go back to the mining regulations of the South African Republic; but to-day the legal authority for reserving certain occupations in mines and works to the white man is to be found in regulations made under the Mines and Works Act, 1911, of the Union. The restrictions only operate in the two northern provinces, the Transvaal and the Orange Free State. They cover a number of skilled occupations, from mine managers to engine drivers and miners, most of which involve the control or handling of engines and material (explosives) which may in unskilled hands be a source of grave danger to life and limb. The Act under which regulations are made confining these occupations to white men gives no authority for discrimination between persons on account of their race or



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colour ; and it is probable that these regulations constituting what is known as the legal colour bar are in fact illegal and *ultra vires*. The point has, however, never been tested in the Courts.

Apart from this legal colour bar, there is what may be styled as the "conventional" colour bar, which includes restrictions of a much wider scope. On this point the Low Grade Mines Commission remarks as follows :—

Custom and the constant efforts of the trade unions have secured a considerable extension of the white man's prerogative. We give a list of 51 occupations on the mines, including all officials. In 32 of these, comprising 7,057 persons, the employment of white men is prescribed by the Regulations, but not in the 19 others, comprising 4,020 persons. Yet the colour bar is as rigorously applied in these as in the others. Custom, public opinion, and trade unions are therefore at the least as powerful as doubtfully legal provisions in establishing and maintaining an effective colour bar.

The Commission illustrates this point by a reference to the De Beers mines, Kimberley, where, though no legal restrictions are in force, the colour bar is as effectively maintained as on the Witwatersrand mines. It proceeds :—

The principal obstacle in the way of employing competent natives on skilled or semi-skilled work in the mining industry is thus the objection of the white worker, who resents any attempt to employ natives on any but rough and unskilled work, fearing that if they are allowed to enter into competition with him the result would be to reduce his wages, and to supplant white by cheaper coloured labour. This point of view is strenuously maintained, and several witnesses representing the views of the white workers have said that rather than give way on the colour bar they would prefer to see the low-grade mines close down, despite the resulting unemployment and misery which such a calamity could cause.

The proposal of the majority of the Commission was, as already stated, in favour of the removal of the legal colour bar, with a view to leaving the way clear for arriving, by agreement between the employers and the trade unions, at such alterations of the present system as are desirable in order to secure better utilisation of native labour. "We

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are convinced," they added, "that it will be in their own best interests if the white workers consent to some relaxation of the colour bar."

The "*status quo* agreement" of which the Chamber of Mines has now proposed the modification is the agreement which embodies the "conventional" colour bar as at present applied to the gold-mining industry. This agreement was entered into between the Chamber and the unions in July, 1918. Demands had at that time been made by the unions for the redress of various grievances, one of which was the employment of coloured men in certain semi-skilled occupations on the mines. The dismissal of these men and their replacement by white men was demanded by the unions as the price of industrial peace. The employers refused to concede this demand, but consented to enter into an agreement that the position as existing on the gold mines at that date with regard to the distribution of occupations between white and coloured should not be altered to the prejudice of the white man. It is this agreement which it is now proposed to modify on the lines stated in the Chamber's letter. The occupations actually affected by the proposals put forward are not, with one or two possible exceptions, occupations protected under the terms of the Mines Regulations. In substance the Chamber's proposals do not affect the colour bar strictly so called—that is, the legal colour bar: what is asked for is a modification of the conventional colour bar.

The conference held on December 15 between the Chamber of Mines and the South African Industrial Federation for the purpose of considering the Chamber's proposals did not produce any agreement, but the negotiations were not broken off, and the conference adjourned on the understanding that further particulars would be supplied by the Chamber especially on the question of occupations which would be affected by the proposed alteration in the *status quo*. These particulars were duly furnished, but the further meeting of the conference was postponed at the

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request of the unions until January 9. In the meantime events occurred which went far to destroy any prospect of a peaceful settlement.

Negotiations had for some time been going on between the Transvaal coalowners and their employees as to a reduction of wages, which the employers held to be due on account of the fall in the cost of living, and which, they stated, had also become essential in order to enable them to reduce prices to a level which would enable them to retain the coal export trade. The men refused to accept the reductions, but eventually, at a conference held with Mr. Duncan, Minister of the Interior, as the representative of the Government, offered to submit the whole question to arbitration. This offer the employers declined, on the ground that the reduction was a question of life or death to the coal export trade, and they were not prepared to hand over the fate of the coal mines to the decision of any arbitrator. No suggestion was made at the time for the application of the provisions of the Transvaal Industrial Disputes Act, which provides for the submission of such a dispute to a Board of Investigation and Conciliation, consisting of representatives of both sides and an independent chairman ; and a strike was declared on the Transvaal coal mines from January 2, the date on which the employers' notice of reduction of wages became operative.

It so happened that just after the coal-mining employers had refused arbitration, the gold-mining employers issued a notice terminating the "*status quo* agreement," and any other arrangements which would prevent the introduction of the changes proposed in their letter of December 9. This notice was given in order to comply with the Industrial Disputes Act of the Transvaal, which requires a month's formal notice of proposed changes in conditions of employment, and was stated to be without prejudice to negotiations then pending. The men's representatives chose, however, to regard it as an ultimatum, and forthwith took steps to consolidate their forces, and to

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link up the dispute on the gold mines with that on the coal mines and with two other disputes then pending affecting the power stations and certain engineering shops. A ballot paper was issued inviting the workers in all the industries concerned to say whether they were prepared to strike until the employers' "ultimatums" relating to these different matters were withdrawn. In this ballot paper the Chamber of Mines' proposal to modify the "*status quo* agreement" was described as the Chamber's "threat to substitute cheap black labour for white." The ballot was overwhelmingly in favour of a strike; and a further conference having proved abortive, the strike on the gold mines, involving over 20,000 white workers, and throwing out of work 180,000 natives, began on Tuesday, January 10.

So far the strike has occasioned no disorder, and the relations between the strikers and the special force of police which the Government has concentrated on the Rand have been of a very friendly character. The most unpleasant feature has been the action of the strike executive in withdrawing the pumpmen from the mines and in refusing any supply of coal for "essential services" except on impossible conditions.

The main feature of the strike campaign has been concentration on the question of the colour bar. The employers' proposals on this subject have been grossly misrepresented, in accordance with the suggestion implied in the terms of the ballot paper; and one prominent speaker has even gone so far as to assert that "The Chamber is not out to save the low-grade mines, but to eliminate every white man and replace them by blacks." It is noteworthy that there has been practically no public discussion on the Rand of the proposals affecting the colour bar from any point of view other than that of the white man. The question of the rights of native and coloured labourers to more equitable treatment and the necessity of opening to them reasonable opportunities of promotion has been tacitly left out of

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account by local disputants.\* In other parts of South Africa, and particularly in the Cape, where the existence of the colour bar on the Transvaal mines has long been regarded as a serious grievance, this aspect of the case is bound to attract a good deal of public attention.

On Friday, January 13, as the result of the mediating action of the Government, the owners and employees agreed to meet in conference "untrammelled by conditions" for the purpose of arriving at a settlement. A conference representative of all parties to the disputes assembled accordingly in Johannesburg on Sunday, January 15, under the chairmanship of Mr. Justice Curlewis.† This conference has not as yet arrived at any agreement, but is still sitting (January 19) and its results are being anxiously awaited not only on the Rand but throughout South Africa. The issue of the dispute is thus still doubtful at the date when this article is written, and we may yet have to pass through a difficult time before a settlement is reached. Apart from the magnitude of the interests involved, and the serious damage which suspension of its chief industry is bound to inflict on the finances of the country, the feature which gives its special character to the struggle, and may even make it of permanent historic importance, is that it raises directly the question of a fresh adjustment of the economic relations between white and coloured labour in South Africa.

\* As to the effect of the "colour bar" from the native point of view *cf* THE ROUND TABLE No. 34, March 1919, pp. 408-9.

† This Conference broke down at the end of January without result, and at the moment this article goes to press, although in a few cases miners have returned to work, the strike still continues.

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### III. BRITISH INDIANS IN SOUTH AFRICA

THE Indian problem in South Africa was discussed in the South African article which appeared in March, 1920.\* That article was written with special reference to the proceedings of the Select Committee which sat during the 1919 session of the South African Parliament to consider the position of Asiatics in the Transvaal, and the Asiatics (Land and Trading) Amendment Act (Transvaal), 1919, which was passed in accordance with the Committee's recommendations ; but it contains a general review of the problem, and states the main considerations which must govern any attempted solution. We propose now to take up the story from the point then reached, and to refer to developments which have taken place since 1919.

It may be said at once that the situation as regards the handling of this problem has not become any easier during the past two years. There has been a good deal of anti-Asiatic agitation both in the Transvaal and in Natal, and that agitation has had its natural effect in producing among the European population increased alarm as to the extent to which their future is threatened by the presence of Asiatics in the country, and a still more pronounced disposition to exaggerate the local and to lose sight of the wider aspect of the issues involved.

In the course of the Assembly debates of 1919 the Union Government had pledged itself to appoint a Commission to inquire into certain aspects of the Asiatic problem. Such a Commission was duly appointed in February, 1920, with a reference requiring it to report on the two questions of acquisition of land by Asiatics and Asiatic trading. The Commission had as its chairman Sir John Lange, one of the judges of the Supreme Court in

\* ROUND TABLE, No. 38, pp. 445-462.

## British Indians in South Africa

the Cape Province, and was assisted in its investigations by Sir Benjamin Robertson, late Chief Commissioner of the Central Provinces, who had been appointed by the Government of India as its representative before the Commission, and by Mr. G. L. Corbett, of the Indian Civil Service, who acted as his secretary. In an interim report presented in May, 1920, the Commission stated that a great many Indians in Natal were at that time anxious to return to India owing to the high cost of living, and recommended that the Government should take steps to assist their return by offering special shipping facilities. Action was at once taken by the Government in accordance with this recommendation, and as a result about 4,000 Indians, mainly Madrassi from Natal, have been repatriated at their own desire. In their final report, presented in March, 1921, the Commissioners made an elaborate survey of the whole position with regard to Asiatics in the four provinces of the Union. As the Transvaal and Natal are the only provinces in which the Asiatic question is acute, it will be sufficient to refer here to the conclusions and recommendations of the Commission affecting those provinces.

The case against the Asiatic was presented to the Commission by the "South African's League," a body formed in September, 1919, which has carried on a vigorous anti-Asiatic agitation in the Transvaal, and has also started a similar movement in Natal. The general line taken by the League witnesses before the Commission was that the increasing numbers and activities of Asiatics in the Transvaal and Natal constituted a grave threat to the future of South Africa as a country for white people. As to the Transvaal, the League contended that the barrier against Asiatic immigration imposed under the Immigration Act, 1913, had proved in practice ineffective; that the Asiatic population was steadily increasing as a result of evasion of the immigration restrictions, and that the number of Asiatic traders was advancing by leaps and bounds, with

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disastrous results to their European competitors. In Natal the League found allies in the Natal Agricultural Union and other farmers' associations, whose representatives were specially concerned as to the invasion of up-country farming districts by Indian settlers, and alleged that their presence would tend to depreciate the value of land and would lead European owners to sell out. Ardent supporters of the League invited the Commission to believe that unless the advancing tide was stemmed to-day South Africa would have to look forward ere long to the influx of millions of British Indians, and would be forced into accepting the position of becoming an "annexe to India," "an expansion ground for the Indian Empire."

In examining the case put forward in support of these alarmist views, the Commission was embarrassed by the lack of any recent census figures. The 1921 census was taken in May subsequent to the date of the Commission's report. The latest census figures for non-Europeans available to the Commission were those of 1911. This census showed, for the Transvaal, 11,072 Asiatics (9,018 males and 2,054 females); for Natal, 133,439 Asiatics. The Commission, after hearing the evidence of the Immigration Department officials, came to the conclusion that, if there was any illicit leakage of Asiatics into the Transvaal at the present time, it was "entirely negligible," and that the 1921 census would show "no material increase in the number of male Indians in the Transvaal since 1911." Some increase in the number of Indian women and minor children was to be anticipated owing to the provisions of the Indian Relief Act, 1914, which permitted the entrance into the Transvaal of the wives and children under sixteen of Indians already domiciled in the province. In the case of Natal, the Commission anticipated that the 1921 census would show that the Asiatic population did not exceed the European by more than about 10 per cent. as compared with 36 per cent. in 1911.

These anticipations are substantially borne out by the



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unaudited returns at present available of the 1921 census. The following table shows, for purposes of comparison, the figures of the 1911 and the 1921 census for the Transvaal and Natal :—

TRANSVAAL						
		Whites.			Asiatics.	Natives and Coloured.
1911	.. ..	420,562	..	11,072	..	1,254,584
1921	.. ..	544,486	..	14,867	..	1,526,484

NATAL						
1911	.. ..	98,114	..	133,439	..	962,490
1921	.. ..	137,742	..	*140,871	..	1,148,818

In the case of the Transvaal the number of Asiatics appears to show a greater increase than the Commission anticipated, but the comparison between the 1911 and the 1921 figures is vitiated by the fact that there has been a change in the system of classification since 1911, which involves the inclusion as Asiatics in the 1921 figures of some 1,400 Syrians, who were previously classified as Europeans. If allowance is made for these 1,400 Syrians, it will be seen that the number of Asiatics in the Transvaal has only increased by about 21 per cent. during the last ten years, whereas the European population of the province has increased by 29 per cent. during that period. The Natal figures are more encouraging than the Commission had anticipated. The European population of Natal has increased since 1911 by 40 per cent., while the Asiatic population has only increased by 5·5 per cent. ; and the excess of Asiatics over Europeans has been reduced from 36 per cent. in 1911 to less than 3 per cent. in 1921. These figures, when appreciated, should have a reassuring effect on public opinion, both in the Transvaal and in Natal, and should thus enable the whole problem to be discussed in a cooler atmosphere.

\* Of the 140,871 Asiatics in Natal, all, save about 2,000, are British Indians.

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The principal recommendations of the Commission may be summarised as follows : —

Retention of the existing Transvaal laws restricting the rights of Asiatics to own land.

No compulsory repatriation.

Encouragement of voluntary repatriation.

No compulsory segregation.

Introduction of "a system of voluntary separation." Suitable residential and trading areas for Asiatics to be selected in municipal areas by a board of independent persons appointed by the Administrator of the province. The trading quarters to be located within the towns with due regard to the situation of existing businesses. Existing licence holders to be gradually attracted to such quarters. New licences to be granted to Asiatics only for businesses carried on in such quarters.

Revision of trade licensing laws and introduction of uniform licensing law throughout the Union providing, *inter alia*,

(a) That municipal bodies shall be the licensing authorities

(b) That licences may only be refused on specified grounds ;

(c) That reasons for refusal shall be given ; and

(d) That in certain cases an appeal against refusal shall lie to a provincial appeal board.

The right of Asiatics to acquire and own land in Natal for farming or agricultural purposes, outside townships, to be confined to the coast belt—say 20 to 30 miles inland.

Strict enforcement of immigration laws.

Appointment of one responsible official to administer Asiatic affairs.

Perhaps the most important feature of these recommendations is that the Commission has unanimously rejected both compulsory repatriation and compulsory segregation : as regards the former, the Commission state that the plan of compulsory repatriation (with payment of adequate compensation, which was admitted to be an essential feature of such a policy) was "virtually abandoned," even by the more extreme section of anti-Asiatic partisans. Once public opinion can be induced to accept these two negative conclusions, the way will be open to the adoption of more enlightened measures for the purpose of dealing with the real difficulties of the situation.

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The Commission was unanimous in making the above recommendations, with the exception of their proposal as to restricting the right of Asiatics to acquire land in Natal for farming purposes to the Coast Belt ; from this recommendation Mr. Duncan Baxter dissented on the ground that it was a retrograde proposal inconsistent with the other recommendations of the Report, which are founded on the idea of voluntary separation. Mr. Baxter also expressed the opinion that in the case of ex-indentured Indians and their descendants such a restriction would involve a breach of the conditions of recruitment.

Neither the Asiatics nor their critics have shown any enthusiasm for the report. So far as the Asiatics are concerned, the positive measures of relief proposed are confined to the improvements of the licensing laws, the possible benefits to be derived from a well administered system of voluntary separation, and the appointment of a qualified officer to deal with Asiatic affairs. Against these proposals have to be weighed the maintenance of existing restrictive laws, the new proposal restricting land ownership in Natal, and the proposed restrictions as to the grant of new trading licences in the Transvaal. On the other hand, the South African's League has condemned the proposed system of voluntary segregation as "foredoomed to failure," and has repeated its demand for compulsory segregation. When the report was discussed in Parliament in May, 1921, the voluntary segregation proposals were treated with contempt by speakers identified with the anti-Asiatic movement. But no one has as yet furnished a convincing answer to the Commission's statement that "any attempt to enforce compulsory segregation would result in failure and lead to a resurgence of the passive resistance movement."

No legislation to give effect to the recommendations of the report has as yet been attempted. There was ample excuse for postponing the matter last session, but there is no doubt that strong pressure will be brought to bear on

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the Government to legislate during the coming session. The Asiatic question figured prominently in the agenda of the recent South African Party Congress in Natal, and there were strong demands for restrictive measures, including more especially adoption of the Commission's proposal for restricting the right of ownership of land in Natal. One of the difficulties of the situation so far as the Government is concerned is that many of the extremists are to be found among their own supporters. Any Bill introduced in the Assembly with a view to facilitating voluntary segregation, or reforming the licensing laws on lines proposed by the Commission, would afford opportunities for putting forward amendments of a drastic character, on which the Government might, in the present state of opinion, conceivably find itself left in a minority. It must be remembered that the Nationalists in their attitude on this question are disposed to ally themselves with the extremist section.

General Smuts, in his speech at the Maritzburg Congress of the South African Party, on December 20, made a strong appeal to his supporters to take the "long view" with regard to the Indian question:—

Another important matter, he said, was India. We had an Indian question in Natal, in South Africa, and also in the Empire. India had 320,000,000 of population, and anything we did in Natal or the Union had a very far-reaching influence, an influence which might even shake the foundations of the Empire. This question of Indians in South Africa was of the first importance. In this country they were children paying unto the third and fourth generation for the sins of their fathers. Let them avoid trying for a settlement which might do no good and which might do the Empire incalculable harm.

In three provinces of the Union the Indian problem was of manageable proportions, but in Natal it was very serious indeed. As he had told them, Natal's white population had increased by 40 per cent. (since 1911) and the Indian population by only 5 per cent. They must not exaggerate and talk about an inundation, but should remember that the whites in Natal were more than holding their own. Let them consider the matter carefully, not

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alone from their own point of view, but from that of all the other Dominions, and remember that any decision arrived at here would have repercussions far beyond Natal, and perhaps beyond the Empire.

He felt that the best thing they could do was to induce Indians in ever-increasing numbers to leave South Africa and to go back to their own country. Let them reverse the process of the past and encourage the white population while watching the Asiatic population dwindle. He felt that that was the solution which was fundamentally sound.

While the improved ratio as between Asiatics and Europeans in Natal on which General Smuts lays stress in his speech is a reassuring fact of first-rate importance, it is necessary to recognise that, in view of the proportion of South African born Indians in Natal—about two-thirds of the total number—the results to be attained by voluntary repatriation cannot, on the most hopeful estimate, result in any considerable reduction of the number of Indians now in the province. Natal is, as far as can be foreseen, always destined to have a large Indian element in its population.

Sir Benjamin Robertson told the Commission that it had been his object “to impress on the Indian community in South Africa that they should look to the Government of the country in which they live for the redress of their grievances, and should loyally co-operate with the Union Government in any measures which may be taken for their welfare.” But one of the grave difficulties of the situation to-day is that the large Indian community in Natal, and the smaller one in the Transvaal, including in both cases a number of property owners who contribute substantial sums in taxation to the Union exchequer, are without any constitutional means of expressing their views on questions specially affecting their interests. The Commission’s recommendation that, in accordance with the suggestion made by Sir Benjamin Robertson, a responsible official should be appointed by the Union Government to take charge of Asiatic affairs, and that it should be his duty not only to see to the enforcement of laws made for

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the protection of Europeans against Asiatic encroachment, but also "to keep in close touch with the various sections of the Indian community . . . give a ready ear to any complaints or grievances, and generally safeguard their interests," suggests a possible method of alleviating existing difficulties and adopting a more constructive policy than has hitherto been applied to the treatment of the Asiatic problem in South Africa. Possibly the plan introduced by the Native Affairs Act, 1920, of setting up a standing Commission to advise the Union Government as to native affairs and to enable it to keep in touch with native opinion, may afford a useful precedent in this connection. It would be a mistake for those who are anxious to see the way paved for a real improvement in the relations between Indians and Europeans in South Africa to oppose or belittle the importance of any move of this kind and to concentrate their attention on more ambitious proposals. There is no prospect to-day of the South African European community agreeing to admit Indians, subject to any imaginable limitations, to the exercise of the parliamentary franchise, outside the Cape Province.\* General Smuts, in refusing to accept on behalf of South Africa the proposal made at the last Imperial Conference in favour of recognising "the rights to citizenship" of British Indians domiciled in the Union, was acting as any representative of South Africa would have been bound to act. The extent to which South African sentiment is opposed to any step in the direction of admitting Indians to rights of citizenship is shown by the recent attempt

\* The Asiatic is to-day practically excluded from the parliamentary franchise, except in the Cape, where there is a "colour blind" franchise, and 2,429 of the small Asiatic community are on the register. In Natal the law disqualifies from exercise of the parliamentary franchise "persons who are natives of countries who have not hitherto (i.e., prior to 1896, when the law was passed) possessed representative elective institutions founded on the Parliamentary franchise," unless they have obtained an order of exemption from the Governor in Council. Only 45 Indians are registered as voters in Natal to-day, and it is unlikely that this number will be increased. In the Transvaal and Orange Free State the franchise is confined to white persons.

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in Natal to deprive the Indians of municipal franchise by a provincial ordinance which for the time being has failed to receive the assent of the Governor-General. South Africa is confronted with racial problems of a character which no white self-governing community has ever previously had to face ; and the Asiatic population constitutes only one factor in a most complicated racial situation. If we are ultimately to find our way to a peaceful solution of these problems which will be consistent alike with the interests and the self-respect of the different races concerned, we may have to try new paths and to hammer out for ourselves new plans of inter-racial co-operation.

### IV. NATIVE AFFAIRS

#### *The Bulhoek Trial*

**I**N the September issue of *THE ROUND TABLE*\* an account was given of the tragic collision which occurred near Queenstown between the police and a body of recalcitrant native "Israelites." The event stirred opinion, both native and European, very deeply, though in diverse ways ; but the full truth of it was not known until all the evidence had been carefully sifted by a proper judicial trial. The illuminating and exhaustive judgment by Sir Thomas Graham, the presiding judge, now makes it possible for us to view the incident in its true perspective and to correct the somewhat erroneous first impressions which were given by the Government's White Paper, published a day or two after the tragedy. As the account which appeared in *THE ROUND TABLE* last September was based on this White Paper, it is just and necessary that it should now be supplemented by the corrections and

\* No. 44, September, 1921.

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criticisms which Sir Thomas Graham's judgment offers. In his remarks the judge commended the wisdom of holding the trial at Queenstown, almost on the scene of the tragedy itself. Not only was such an arrangement convenient, but it was calculated also to impress the native mind. He then proceeded to give an account of the whole series of events and did not spare criticism of official action. The initial error, he declared, was the recognition by officials of the authority of Enoch, the self-appointed leader of the interloping fanatics on the location at Bulhoek, "because once Enoch was recognised in place of the headman, and the headman's authority was undermined, it was only a matter of time when the Inspector's authority would be undermined, and following that the authority of the Magistrate, another senior officer." This was what actually happened, for while official action was nervous and dilatory, Enoch played his double game of putting off official protests with promises while at the same time organising a considerable anti-European conspiracy. Evidence was given of a systematic correspondence conducted by him and his lieutenants to this end.

Far worse in its effects was the "bluff" (as the judge called it) of December, 1920, when a force of nearly a hundred police was sent to remove the trespassers, but with instructions to avoid bloodshed at all costs. These instructions became known to the Israelites before the police arrived and the effect on the natives was as might be expected. Their attitude became stiff and arrogant. The police force had to retire and the officer in command had actually to obey the orders of Enoch and his satellites!

There can be no doubt (the judge continued) this incident had a deplorable effect on the subsequent conduct of the accused. . . . I am not aware of any other instance in the long record of native disturbances in South Africa when a body of very nearly one hundred men, armed and disciplined men, were compelled to retire before a body of natives armed with swords, assegais and knobkerries, and abandon their camp without firing a shot.



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The judge further quoted an opinion of Livingstone's that no man should ever threaten a native with a firearm unless he intended to use it, or he would be forced to make a far more terrible use of it later on. Finally, in completing the survey and judgment, Sir Thomas came to the highly important conclusion that the whole movement was not really religious in its objects at all, but anti-European.

The Government was deceived by Enoch and his people into the belief that this difficulty which had arisen at N'tabalanga was one of a religious character. There is not a vestige of evidence that this was the case.

It is pretty certain that had the Government not been so deceived its action would have been much more speedy and decisive. That both the Government and the European public generally should have believed this does but show how easily even experienced and responsible people can be deceived about the workings of the native mind. It is subject to this reservation that readers of THE ROUND TABLE must accept the belief prevailing in South Africa that the tragic events of Bulhoek have had no serious effect in embittering native opinion against Europeans. On the contrary it seems probable that the delay and vacillation which the judge criticised may have served to give the native a salutary lesson in the process of law. If he learns in future not to mistake the meaning of forbearance and kindly warnings much will have been gained. For life in South Africa will be a "jumpy" and demoralising business if we can deal with the native on no other basis than that of "shoot first and argue afterwards." That policy has had a sufficient trial already and we know whither it leads.

Further, the reaction on European opinion has been on the whole good. The judgment of Sir Thomas Graham should silence the heady critics who accused the Government of brutality and "militarism." But the effect of the episode will, nevertheless, be an increasing disbelief in force

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as a remedy, and an increasing demand for a constructive native policy. General Hertzog is cautiously bringing Nationalist opinion round to a more liberal and statesman-like point of view (though his policy of territorial and industrial segregation strikes one as unreal and doctrinaire). And all over South Africa there is growing appreciation of the importance of devising and adopting a sound system of native education. The present condition of the "colour bar" dispute on the Rand shows how fast we are moving, and we should soon be within measurable distance of a sufficiently general acceptance of the doctrine of civilisation as the one test of citizenship to make of it a real basis of policy.

But much has to happen yet and the Parliamentary Session now opened should assist in the hardening of opinion and the defining of policy. Further discussion of native affairs may, therefore, well be deferred until a later issue of THE ROUND TABLE.

South Africa.

January 19, 1922.

## NEW ZEALAND

### I. IMPERIAL AFFAIRS

**T**HE New Zealand article in *THE ROUND TABLE* twelve months ago \* contains the following pregnant sentence:—"Whatever the difference of opinion in New Zealand may be as to the future organisation of the Empire, it may be taken as certain that there is no demand for separate representation in foreign countries, nor the slightest desire to repudiate the ultimate sovereignty of the British Parliament as the Legislative, and of the British Cabinet as the Executive, power of the Empire." That explicit statement holds good for this Dominion to-day. For this fortunate condition of things there are many reasons, some of them permanent, others more or less temporary. It is now proposed to deal briefly with one or two of these reasons, as follows:—New Zealand is a small and isolated group of islands in the Pacific Ocean. Its white inhabitants are almost entirely of British birth or descent, and therefore loyal by heredity. The Maoris, to their great credit as a race, are as faithful to the Throne as their European neighbours. More than the inhabitants of any of the other and larger Dominions, New Zealanders realise that their national existence depends in the last resort on the power of the British Navy. Such are some of the more permanent and self-regarding reasons why New Zealand is thoroughly loyal

\* No. 41, December, 1920, p. 215.

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to the British Crown. But there are other reasons at present existent, of a more transitory nature, nearly all of them having their primary origin in the great war itself.

Before 1914 the average man in New Zealand as a rule took little or no interest in the affairs of the Empire. His mental outlook was all too often limited by his insular surroundings. During and since the war, however, several outstanding events have contributed not a little towards developing deeper and keener interest in Imperial affairs throughout this Dominion. Of these events we propose now to examine four only, the great war itself, the visit of the Prince of Wales, the advent of Lord Jellicoe and the recent Conference of Prime Ministers in London. Concerning each and all of them it may be said with truth that they have tended to clarify and guide the public mind and conscience of this Dominion in matters of Empire.

It would be strange indeed if the war had not profoundly affected our Imperial outlook, even in this remote corner of the Britannic Commonwealth. When we consider that nearly 100,000 of our younger men, the vast majority of whom had never before left their native shores, were within four years transported across the ocean to Europe, Asia and Africa, there to fight alongside (and against) foreign soldiers of varied nationality and colour, it is not to be wondered at that their mental vision should in the process have become broadened and their ideas enlarged. The influence of the great war on those of our men who returned from it cannot yet be adequately or precisely measured. But it may safely be said that the vast majority of them came back to their homes with a new and abiding vision of the grandeur of their Imperial heritage, along with some consciousness of the rights and responsibilities of Empire. That they have transmitted to their families and friends some at least of their personal impressions, of course goes without saying. The cordial and hospitable treatment received by many of the colonial-born while on leave "at Home" created a kindly feeling towards the British people, which will be

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felt and reciprocated here for years to come, when the hardships of the war itself may be vague memories of the past.

The recent visit of the Prince of Wales was happily timed, and carried out with consummate skill and tact.

His personal popularity from end to end of New Zealand was almost inconceivable. His youthful and yet manly bearing won him all our hearts, while his speeches were models of modest eloquence. In a word, the New Zealand tour of the Prince was a personal triumph to him as a man and a sportsman. But it had a deeper and more enduring effect, in this Dominion at all events. It revived and stimulated our deep-seated feelings of loyalty to the Crown. One and all we felt that here, amongst us, was *our* future King! And when in his presence we sang "God Save the King," it was with a new and living sense of devotion to the British Throne. To the young people of the Dominion especially this memorable visit was a revelation. It brought home to them as in a flash the reality of Kingship, and the fact that they too, like their forefathers, were proud and willing subjects of the King.

The news of Lord Jellicoe's appointment as Governor-General was received with universal satisfaction here. During his visit to the Dominion in H.M.S. *New Zealand* in 1919, the gallant Admiral had made himself liked and respected by all who met him, and since his arrival here as Governor-General these first impressions have been more than confirmed. Officially he has played his Vice-Regal part with discretion and devotion to duty, while he has entered into the social life of our little community in a manner which has endeared him to all. Like the Prince of Wales, he possesses the priceless gift of attracting young people, and his personal participation in manly sports has won him many hearts among the rising generation. But apart from his personal popularity, we New Zealanders feel especially honoured to have as our own Governor-General the renowned Admiral of the Fleet and the victor of the

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Battle of Jutland. His advent has brought home to most of us some sense of all that we owe to the British Navy, and has set many of us thinking, perhaps for the first time, how we in New Zealand can best repay that debt. We realise that we have not done our share in the past, and are now anxious to discover what is our duty towards the Navy in the present and future. The plain man in New Zealand as a rule is ready and willing to do the right thing in matters both local and Imperial—once the path of duty is made clear to him by those who should lead him in the ways of national righteousness.

Finally, the recent meeting in London of the Imperial Conference has done much to quicken public interest throughout New Zealand in the affairs of the British Commonwealth of nations. The newspapers here for months past have devoted an increasingly large amount of their space to discussing with more or less insight many of the questions raised (if not decided) at that Conference. This alone has inevitably had the effect of interesting the public mind of the Dominion in Imperial problems. But this editorial influence in itself has and will have only a temporary and, indeed, evanescent, effect on the memory of the plain man in this Dominion. What may possibly remain longer in his mind will be the language used by Mr. Massey in his public utterances since he returned from the Conference in October last. Our Prime Minister came back from the Conference in excellent form, apparently refreshed rather than jaded by his hard work in London. Since his return he has made several speeches, in which he referred at length to his recent visit to England. In each of these speeches he has laid stress on the kindly reception he had received from his English hosts, and on the warm feeling displayed towards him as a typical New Zealand Colonist. Without betraying confidence, he told us also something of what passed at the Conference itself, and his Imperialism seems to have gained a sounder and clearer note, through his having been brought into closer and more

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personal contact with his fellow Prime Ministers and other representative Statesmen at the heart of our scattered Empire.

In October last Mr. Massey addressed an expectant House at considerable length on the work of the Imperial Conference. It was an able speech, and was received with favour and applause, not only by the supporters of the Government, but also by members of the various opposition groups. The Prime Minister rose to the occasion, and for once the House as a whole remained superior to party feeling. A short debate followed the speech, and Mr. Massey replied. The following are the comments on the debate of an Opposition newspaper, the *New Zealand Times* :

The Prime Minister's reply put the finishing touch on the debate. Chiefly he took the opportunity to declare the strength of the immovable points in the informal system now established, and he placed all the others in their right perspective. The Empire is one and indivisible: the Dominions are not independent States: Ambassadors are not for them, but diplomatic advisory agents are a necessity for them: a written constitution would be as mischievous as a strangle-rope: local navies are out of sight for ever. These are the strong bases of the future. The Empire can build on them. As the edifice grows, experience will grow for the guiding. The debate will stand as a record of careful and fairly well instructed discussion worthy of a great occasion.

During the debate Mr. Massey made it clear regarding the Naval problem that for the future we must have "Empire ships" to protect the communications and trade routes of Greater Britain, and added that New Zealand must pay her fair share of the cost, along with the other parts of the Empire. As the *Evening Post* said editorially on this point: "There is no high-flown Imperialism about this, but merely an appeal for a fair deal, to which the common sense, self-respect and justice of the country will have no hesitation in responding." We have yet to learn, however, what concrete proposals on this subject are to be placed before the Parliament and people of New Zealand.

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Of course, it may well be that these proposals will now largely depend upon the result of the fateful Conference at present sitting in Washington.

It is satisfactory to learn from Mr. Massey that he profoundly disagrees with General Smuts' view that since the Peace Conference the Dominions have in effect become sovereign States. That idea is generally regarded in this Dominion as a dangerous delusion ; and New Zealand does not stand alone in this respect at the Antipodes. Some months ago Sir William Irvine, Chief Justice of Victoria, gave utterance to his views on this question with no uncertain sound, as follows :—

We are one of the free-governing Communities of the British Empire, but treaties are not made with Communities, but with Powers. Foreign nations do not, and will not, pay any respect to our claims or our aspirations, as long as they are not backed up with power. Foreign nations regard only power in the nations with which they make treaties. Therefore, to say that Australia should have freedom and independence in the matter of foreign relations is only to talk sentimental humbug. There cannot be any dual voice in discussing the vital affairs of the Empire. No advantage is to be derived by talking about this *status*, which does not exist. The real issue, indeed the only one, is how best the Dominions can help Britain to secure and maintain that supremacy of the seas so essential to the Dominions and the Empire, seeing how long Great Britain has freely and willingly protected the Dominions.

This is sound doctrine, shared by all true New Zealanders, and comes as a refreshing douche of common sense after much that has been said and written on the subject by political theorists.

It remains now to make an attempt to depict the present-day mental attitude of the average man in New Zealand towards Imperial affairs. It is not a little difficult to define that attitude with precision. It would not be correct to say of the average New Zealander that he does not think of Imperial problems at all. But it is undoubtedly true that his thoughts on the subject are confused and rudimentary. Since the great war he realises that the safety of himself



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and of the Dominion chiefly depends in the last resort on the British Navy. He has now begun increasingly to recognise that New Zealand's contribution towards the cost of that Navy so far has been, not only too small, but in fact negligible. Then he reads in sundry magazines that each Dominion has now become independent in all but name, and should have some approach to freedom and independence in the matter of foreign relations! But he, as a rule, finds it difficult to reconcile this claim for independent action with the obvious fact that New Zealanders do ultimately rely for foreign policy and for protection alike upon the British Fleet, towards the cost of which we are not paying anything like our fair share. He has in fact begun to suspect that this state of things cannot last much longer, that Great Britain alone—staggering under her colossal war debt—cannot possibly continue to protect and preserve the whole scattered British Commonwealth out of her own revenues. Thus it has gradually commenced to dawn upon him that the cost of Imperial defence must be distributed in some equitable way between all British communities throughout the world, including of course New Zealand. At the same time he dimly apprehends that it is hardly fair for us to claim any right to intervene in Foreign Affairs, until we have begun to pay "our whack" in respect of the common defence of the Empire. The essential thing still lacking is leadership! Inspiration, guidance, driving power, are all alike sadly to seek among our public men regarding Imperial affairs. Our politicians as a rule are too much engrossed with the daily and increasing pressure upon them of domestic problems. The great majority of our citizens are loyal and patriotic, ready and willing to do their duty towards the King as the head of their Empire, once the path of duty is clearly and reasonably pointed out to them by their responsible leaders. But no adequate guidance is so far forthcoming, and the plain people of New Zealand are left wandering in their Imperial wilderness, like sheep without a shepherd.

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The Washington Conference and the Irish Problem are the two outstanding questions of Imperial importance in which we New Zealanders at present are most deeply interested. Unfortunately, our cablegrams relating to both matters have thus far been obviously incomplete and inadequate. Even of the doings at Washington of our own representative (Sir John Salmond) we have heard directly little or nothing. But what we have read of his expressed views is eminently satisfactory. His first published utterance was a clear, correct and timely statement of his constitutional standing at the Conference itself, as follows:—

“As a representative of the Dominion of New Zealand and of the British Delegation, I desire to make it clear that New Zealand neither possesses nor claims any separate international status!” With thankfulness, too, have we read his recent message, cabled from Washington, that it is his firm belief that the Conference is going to be successful. But, as Sir John adds with praiseworthy candour and caution:—“Certain unfounded expectations and impracticable idealisms will be disappointed. . . . The Conference is one of limitation, not of abolition, of armaments. . . . Self-defence is a necessary part of State activity. . . . The abolition of national preparedness is sentimentalism, but the limitation of armaments is practical statesmanship.”

So far the Conference has not dealt in detail with those Far Eastern questions, the solution of which must largely determine the future destiny of the whole of Australasia. As to those questions and their settlement, we are still in the dark, but it is of course realised here that for New Zealand, as a British Dominion, the paramount and, indeed, the only safe policy regarding the Far East must be that policy whereby if possible the wide ocean by which we are surrounded shall remain Pacific in fact as in name! At the present critical stage of the negotiations regarding the future of Ireland, it is difficult even here to speak with freedom, and yet without offence, on that thorny subject. It is fervently hoped from end to end of New Zealand that some

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way out of the present *impasse* may still be found, without resort to further bloodshed. But the feeling is widespread throughout this Dominion that Mr. Lloyd George has already gone as far in the way of concession to Southern Ireland as is compatible with honour and safety, and that Mr. de Valera and his associates, if they have the real interests of Ireland at heart, *must* now loyally and fully accept the terms offered them, or become themselves responsible for the dire consequences to Ireland and the Empire that may follow a rejection of those more than generous terms.

### II. DOMESTIC AFFAIRS

SINCE the close of the war democratic government by Sway of party politics would appear to have developed in the main on parallel lines in divers parts of the British Empire. For example, it was recently said of the Coalition Ministry in Britain that it was able, in general, to "command the support of an overwhelming and to a great extent docile majority, and was not confronted with anything in the nature of a formidable or united opposition." The same remark may be made with truth concerning the present Reform Government in New Zealand. Mr. Massey and his Cabinet completely control the Parliamentary machine. There is to-day no effective or organised Opposition. The old Liberal Party has split up into two or three small independent groups, each with a titular leader and a few more or less faithful followers. The Labour Party, indeed, still remains vigorous and compact, if small in numbers, but is considered so extreme in its communistic views that it has no great influence at present in the House, although strongly backed by the Labour unions throughout the country. The average citizen may not like some particular portion of Mr. Massey's policy, but he has no burning desire to hand himself over instead to

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the tender mercies of an extreme Labour Government, which seems at present to be the only possible alternative administration. Unless something very unexpected happens, it is obvious that Mr. Massey will be able to carry on until the expiry of the next twelve months, when a general election is due. It is unsafe to prophesy so far as a year ahead in matters political, but it is extremely difficult to see what other dominant party can even then replace the present Government, so long as Mr. Massey himself remains at the helm.

There is, in fact, a remarkable similarity in several respects between the present political position of Mr. Lloyd George and that of our Mr. Massey, in their respective spheres. Each of them has been Prime Minister during and since the war. They have both borne the heat and burden of the day in war and peace alike. Each of them appears at present to be the only possible leader of his party. A large and almost servile majority is at the command of each of the two leaders. Despite many mistakes, they have both been on the whole successful in their administration, throughout years of unprecedented difficulty. If either of them were to be removed by Providence from his post, it would be extremely difficult to say with certainty who could or would step into the vacant position. Each is now faced with dull trade, a depleted exchequer, high taxes and a discontented proletariat. Each hears all around him, from friends and foes alike, a veritable roar for retrenchment. But both appear to remain undisturbed and even optimistic, in the midst of difficulties that might well appal smaller and more sensitive men. Of course our domestic troubles in New Zealand are not to be compared in magnitude or intensity with those of Great Britain. We have no menacing Irish question ever present at our door. But even here Sinn Fein is in the air (or rather under-ground), and some of its local supporters appear to have joined hands with the more extreme Communists in an unholy alliance against the best and most

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vital interests of the British Empire. For many months past an active propaganda has been carried on by the sale and distribution of journals and booklets of a Bolshevik type—preaching the usual nostrums of “class consciousness,” “direct action,” “self-determination,” and—in short—revolution. But the heart of the country remains sound. Many individuals have been and are now infected by this verbal poison, poured out for them week after week, but the main body of the people are loyal at heart, although angry and sore at the high cost of living and the present lack of employment. Verily the aftermath of war is still with us, even at this remote corner of the Empire!

Since the return of our Prime Minister from the Conference at the beginning of October, Parliament has been continuously in session. It has become obvious that for the present it will have to deal mainly with problems relating to the finances of the Dominion. New Zealand is now, like its neighbours, suffering acutely from financial depression. Our staple products are not bringing, in the world's markets, the inflated prices of war time. Wool and meat especially are at a discount. Our farmers have enjoyed a long period of high values for their produce, and are now feeling keenly the pinch of lower prices. A large deputation representative of the farming community waited on the Prime Minister in October last. They pointed out that farmers in the Dominion were at present losing money in their business, and were being crushed by heavy taxation; and they demanded that public expenditure should be ruthlessly cut down and wages substantially reduced. Mr. Massey is himself a farmer and represents a rural constituency, but he nevertheless gave the deputation a rebuke for their selfishness and pessimism. He pointed out that in New Zealand the farmers as a class had benefited enormously during and on account of the war, and that as their profits now decreased their taxation would become smaller in proportion. He added that the Government were already doing all in their power to lessen the burden

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of taxation on the whole community, by cutting down expenditure in every way practicable. Mr. Massey, in short, sent the farmers away with the sound advice that they should work on and look for the brighter side of the cloud of depression, and further hinted that they might bear their share of the present financial troubles with a little less selfishness and more dignity. The Community at large agrees with the Prime Minister in his attitude towards the farmers of this Dominion. During and since the war they have had a good innings. If they have not laid by sufficient for the present rainy day, the fault is their own, and they should be the last to complain. But in point of fact the position is by no means so hopeless as the farmers would have us believe. It is true that the prices of wool and meat have dropped enormously in the past year. But the prices for dairy produce have on the whole been well maintained.

Within the last twelve months the number of divorces granted in New Zealand has increased to an abnormal extent. Of this increase there are two obvious causes. The first is the indirect result of the great war, which has tended in more than one way to loosen the ties of matrimony. In New Zealand, as in England, "war marriages" frequently took place in haste, and too often repentance and disillusionment have followed at leisure—with the usual sad results. But the greater and more permanent cause of the recent increase in divorce is the direct outcome of a statute hurriedly passed through Parliament at the very close of the Session of 1920. Section 4 of the "Divorce and Matrimonial Causes Amendment Act 1920" enacts that

it shall be lawful for the Court *in its discretion* on the petition of either of the parties to a judicial separation or to a separation order made by a magistrate or to a deed or agreement of separation or separation by mutual consent when such decree order or deed or agreement is in full force and has so continued for not less than three years to pronounce a decree of dissolution of marriage between the parties.

## Domestic Affairs

The Act further provides that disobedience to a decree for the restitution of conjugal rights for less than the statutory period of desertion may also be a ground of divorce—again “*in the discretion of the Court.*” Until the passing of the Act of 1920, discretionary grounds for divorce were unknown to the law. They are no longer a novelty, in New Zealand at all events, and our judges are now hard at work dissolving marriages wholesale, in the free and uncontrolled discretion thus thrust upon them by a casual Legislature. The churches are naturally alarmed at the steadily growing number of divorces, and are crying aloud for the repeal of the sacrilegious statute that has done the mischief. The women folk, who, after all, are the most deeply interested parties, do not appear to be unanimous on the question. Some of their more advanced leaders hail the new law with rejoicing, as tending towards the “emancipation” of the sex. But it is believed that the sober-thinking majority of New Zealand women already realise that the recent Act is a fatal mistake. However, it is now recognised to be part of the law of New Zealand (as was said in a recent judgment of our Divorce Court) that “in general, it is not in the interests of the parties or in the interest of the public that a man and woman should remain bound together as husband and wife in law, when for a lengthy period they have ceased to be such in fact”! These are the logical consequences of one more hasty and ill-considered experiment in social legislation.

At the time of writing, Parliament is still sitting in Wellington. It is hoped that the session may finish before Christmas, but there is still much business to be got through before the House can rise. So far, little constructive work has been done, in the way of ordinary legislation. Two votes of want of confidence have been easily defeated—one proposed by the “Official” Opposition led by Mr. Wilford, and the other by the Labour Party under Mr. Holland. The Budget has been carried by a large majority, and the revision of the Customs Tariff is now

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completed. As was to be expected, the new tariff has given rise to a large amount of heart-burning among taxpayers of all classes. It claims to be a revenue tariff, and not a protective measure, but its proposals have been vigorously assailed from several angles. The farmers complain that it is too high, the manufacturers because it is too low, and the unhappy consumer in that it tends inevitably to increase his cost of living. Larger duties are imposed—properly enough—on whisky, beer and tobacco, but why the “war tax” on tea should not now be removed is a tragic mystery to tea-drinkers, i.e., 95 per cent. of the population! The plain fact appears to be that our Minister of Customs has been vainly trying to ride two, if not three, fiscal horses at one and the same time, and with the usual result. With a general election full in view, he has endeavoured to please everybody, and has succeeded in completely satisfying hardly anyone. At the same time, it is only fair to say that the mere fact that the revised tariff has been attacked from several quarters is no cogent evidence that it is in itself a badly conceived measure. One satisfactory feature of the new Customs law is that preference in favour of Great Britain has been increased, although importers interested are unkind enough to suggest that the increase is more apparent than real.

Behind all current political problems, however, looms large the vexed question of national finance. There is no doubt the whole community has been extravagant during the past decade, both publicly and in private life. Our national expenditure must now be brought within the shrunken national income. The era of retrenchment has arrived. Mr. Massey, who is his own Minister of Finance, has, we are told, evolved a comprehensive scheme for reducing the expenditure of the country by several millions in the year. So far we are without details of this financial expedient. All that we are permitted to know for the present is that one branch of this scheme is to cut down “ruthlessly” the salaries of all the higher paid Government



## Domestic Affairs

officials. But highly paid servants of the State are not numerous in New Zealand, and we fear that some more far-reaching method must be adopted in order to bring about anything like the desired result. In the meantime, the promised financial reformation remains largely in the air.

After a favourable spring, summer is now upon us at the Antipodes. Flocks are being shorn, and the crops are ripening in the sunshine. With the approach of the harvest season, farming and other busy Members of Parliament are becoming jaded and restive. The great majority of them do not permanently reside in Wellington, and are naturally anxious to return to their wives and families for Christmas and New Year. The work of Parliament accordingly is being speeded up apace. With his faithful majority behind him, it is recognised on all hands that the Prime Minister can if necessary force through the House all or any measures that he reasonably desires to pass. Unless the unexpected happens, it seems now possible that the present Parliamentary Session may close just before Christmas, when Members will disperse to their homes, leaving behind them a crop of fresh Acts of Parliament, some of them, it is to be feared, as crude and undigested as was the unhappy "Divorce and Matrimonial Causes Amendment Act 1920." Unfortunately, Mr. Massey himself during the past few days has been showing obvious signs of overstrain, after his prolonged and anxious labours. It is confidently hoped that during the coming recess he will rapidly and completely regain his usual robust health and vigour.

*Post Scriptum.*—Since the foregoing pages were written, the great news has come to hand here that a definite settlement of the Irish Problem has at last been effected by negotiation. The text of the "Treaty between Great Britain and Ireland" has been cabled to New Zealand. No attempt need be made here and now to discuss the terms of the Treaty itself, or to criticise the extraordinary

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attitude subsequently adopted towards it by the irreconcilable Mr. de Valera. The long-looked-for and happy result appears to us to be the thing that really matters. Throughout the Dominion the prevalent feeling is one of profound relief and thankfulness. All loyal New Zealanders are at one in hoping that Ireland now and for the future may remain at peace within the Empire.

New Zealand. December, 1921.

# THE ROUND TABLE

A QUARTERLY REVIEW OF THE  
POLITICS OF THE BRITISH COMMONWEALTH

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## NOTE

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in all parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE will reflect the current opinions of all parts about Imperial problems, and at the same time present a survey of them as a whole. While no article will be published in the interest of any political party, articles may from time to time be published explaining the standpoint of particular parties or sections of opinion. In such cases, however, the character of the article will be made clear by an introductory note.

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## GENOA

AS we write it is still uncertain whether the Genoa Conference will bear fruit in a general agreement on any subject or break up with all its main purposes unfulfilled. A southern environment has spared it none of the rigours of a northern spring. The spirit of European co-operation, which inspired the summoning of the Conference, has been exposed at Genoa to hidden as to open dangers. For some weeks it seemed doubtful whether the Conference could be held at all. The Government of the United States declined to have anything to do with it, and made no secret of its opinion that it was doomed from its conception to be "but hope of orphans and unfathered fruit." The French Government worked relentlessly first to prevent it, and then to circumscribe its scope and limit its usefulness. In England a powerful section of the Press has taken the side of the French Government throughout, and left no stone unturned to stultify the proceedings of the Conference and to overthrow the Prime Minister. But there have been other enemies. The atmosphere of Genoa has been poisoned by intrigue, not so much in the Conference as round and about it. Enormous delegations have been shadowed, reported, helped usually and vindicated, but at times misrepresented and misled by still more enormous bands of journalists, from distinguished editors to humble pressmen. Rumours and suspicions have sprung up with the rank fecundity of some forest in the tropics. Mistakes were inevitable, but at Genoa by some malign chance they

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have come as blunders, and at the most critical moments. German ineptitude, insensibility, stupidity—the right word is perhaps in doubt—combined with Russian cunning almost to wreck the Conference in the first week. Amidst such perils it is a marvel that the Conference still survives.

Yet even if it should end with no clear positive achievement, Genoa has amply justified itself. For it has revealed to the world where and in what degree the spirit of European co-operation flourishes, and even more clearly who are its enemies. There can no longer be any reasonable doubt as to the present policy of France under M. Poincaré. Russia and the Soviet Government are no longer wrapped in the obscurity of isolation. If we are no nearer disarmament in the East or the West, if no sound foundation has been laid for renewed commercial intercourse with Russia, we can see far more clearly than before what are the difficulties in the way. Above all, though hopes may be deferred as a result of Genoa, they are not blasted. Co-operation on terms of equality between the nations of Europe may remain for the present an unrealised ideal, but at least we have seen signs that it is realisable and have fortified our conviction that there is no alternative but ruin. Though no delegation returns bearing its sheaves, some of them, at least, have discovered which is good ground and which is stony, and have sown as they could with fair hopes of a harvest in due season.

For any practical results which may be attained at Genoa Europe will have primarily to thank Mr. Lloyd George. He will, no doubt, derive some quiet amusement from the discovery of the tribute in which Mr. Keynes has clothed in a more sober form an admiration scarcely less enthusiastic than that which glows through the rapturous imagery of Mr. Garvin. The Prime Minister has, indeed, dominated the Conference. He set out with the conviction that its aims were right and beneficent, for Europe no less than for Great Britain. To keep the Conference together, to bring it, if possible, into port, he has put forth all his strength and

## Early Difficulties

all his art. The multitude of those over half Europe who feel to-day that Mr. Lloyd George alone stands between them and ruin have as yet scarcely realised that the source of his strength in this campaign for peace lies less in the magic of personality than in the fact that he is interpreting the deepest aspirations of the British Commonwealth. To the Continent England is always *perfidie Albion*; it is the Wellingtons, the Gladstones, the Lloyd Georges who are admired.

### I. EARLY DIFFICULTIES

THE ROUND TABLE in March foreshadowed the danger to which the Genoa Conference would be exposed if it were not fully representative. "France," we said, "may abstain altogether or may attend only to obstruct. . . . An even more serious defection would be that of America."\* M. Poincaré chose obstruction rather than abstention. He first sought a postponement for three months. The experts must meet, must examine the agenda, must agree. The request was resisted. But a protracted political crisis in Italy threatened to leave the Conference without a host and in the end a postponement of a month until April 10 was unavoidable. At the end of February M. Poincaré met Mr. Lloyd George for a few hours at Boulogne. It was agreed that nothing affecting the Peace Treaties should be discussed in the Conference and on this understanding M. Poincaré consented to go to Genoa himself if he could. When April came, he could not; the President was in Morocco and the President of the Council could not leave Paris in his absence. So M. Barthou, a member of the Cabinet and of that of M. Briand which had preceded it, an ex-President of the Council himself, was chosen to lead the French delegation. Not, however, as might have been supposed from his political

\* ROUND TABLE, No. 46, March, 1922, p. 265.

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standing, as a plenipotentiary, not with the discretion exercised, for instance, by Mr. Balfour at Washington, but as the mouthpiece of his colleagues, tied to them by telephone, subject to their instructions, liable to their repudiation. No more deadly blow could have been struck at the usefulness of the Conference. For the old and the new diplomacy will not mix. It must be one or the other. The essence of diplomacy by conference is negotiation between principals, who can seize the opportunities which arise in personal discussion and in a moment are lost, to make decisions and reach a settlement. To refer back is to accept the verdict of a Court which has heard none of the evidence, seen none of the witnesses; it is to ask a critic who has not read the play what Othello meant by "It is the cause, it is the cause, my soul." No one, of course, pretends that even Prime Ministers in conference are in the full sense free agents. Their liberty of compromise is limited by the strength of their political following at home, by the degree of coincidence or opposition between their views and those of the democracy which they represent. It would be an injustice to M. Barthou not to add that he did all in his power to make an impossible situation tolerable. He could not disregard his instructions, but he more than once modified them.

The United States did not wait for the full significance of M. Poincaré's methods to become apparent before announcing their intention to hold aloof from the Conference. The attitude of the Harding Administration is summed up in this sentence from the Note in which Mr. Hughes declined the invitation :—

It has been found impossible to escape the conclusion that the proposed Conference is not primarily an economic conference, as questions appear to have been excluded from consideration without a satisfactory determination of which the chief causes of the economic disturbance must continue to operate, but it is rather a conference of a political character in which the Government of the United States could not hopefully participate.



## Early Difficulties

American abstention was not unexpected, but it made any general settlement more than ever difficult. For it confirmed the apprehension that public opinion in the United States is not ready for any rational liquidation of inter-allied debts ; and it deprived the British and Italian representatives at Genoa of a moral support on the side of peace and conciliation which might have proved decisive.

Thus it was in an atmosphere of anxious doubt that the Conference opened on April 10. The first session revealed the dramatic potentialities of the gathering. After a quiet prelude of ceremonious addresses, perhaps intentionally colourless and made wearisome by translation, the startled audience were roused from their incipient slumbers in the stuffy hall by the rumblings of an approaching storm. M. Tchitcherin had trodden forbidden ground. He spoke of disarmament, of conference succeeding conference in an endless vista to the millennium. An angry protest by M. Barthou, a reply by the offender which added fuel to the flames, and then a safe escape through one of Mr. Lloyd George's most brilliant pieces of improvised banter, to a hurried adjournment. Next day the delegates retired to the more prosaic task of settling procedure in private. It was decided to appoint three Commissions—the political (called, as politics were taboo, Number 1) the financial and the economic. Representation on the commissions had to be fixed. There were difficulties here, but in the end they were overcome. The convening powers with Germany and Russia obtained direct representation, other States were represented by two or three of their number chosen by ballot. The status of the British Dominions raised an interesting side-issue. Were they to vote as independent States or to be merged in the Empire vote ? A decision adverse to the Dominions was subsequently reversed and the Dominion delegates exercised their rights by substituting one neutral State on a Commission for another.

These preliminaries settled, Number 1 Commission at

## Genoa

once attacked the problem of Russia. "Had M. Tchitcherin accepted the Cannes resolution?" M. Barthou had asked on the opening day. The reply from the Chair was that by his presence he had accepted it. But acceptance is a formality. The real problem was to find, within the limits of the Cannes resolution, a solid foundation for a general agreement which would bring back the Russian State into the European fold and open channels for a renewal of commercial intercourse. Did the Soviet Government recognise all public debts and obligations of the State, municipalities or other public bodies? Did it admit the obligation to restore or compensate all foreign interests for loss or damage caused to them when property had been confiscated or withheld? Negotiations on these points set out from a memorandum prepared at a meeting of the Allied experts held in London prior to the Conference. It stipulated for full and unconditional acceptance of all liabilities and for the appointment of a Russian Debt Commission and of Mixed Arbitral Tribunals. The Russians replied to these proposals with a claim for damage caused to the Russian State and its nationals in the series of attacks made or encouraged by the Allied Powers on the revolutionary Government: after deduction of all pre-war and war obligations of the Tsarist authorities, there remained a sum of about £2,500 million due to Russia. At this point the Conference threatened to end as a farce. Mr. Lloyd George persuaded the Allies to suspend the formal sittings of the Commission and to meet the Russians for private discussion in his villa. Progress was recorded and new proposals, which there was reason to believe that M. Tchitcherin could in principle accept, had been communicated to the Soviet delegates, when on Easter Monday Genoa and the world were startled by the announcement that a separate Treaty had been signed on behalf of Germany and Russia at Rapallo on the previous day. Without warning, the Conference was on the rocks. For the Treaty provided not only for *de jure* recognition of the

## The Treaty of Rapallo

Russian Soviet republic, but for the renunciation by both parties of all public and private claims arising out of the war and by Germany of claims both of the German Government and its nationals in respect of property submerged by the revolution and the Communistic experiments of the Soviets. Each Government also covenanted to give the other "most-favoured-nation" privileges.

### II. THE TREATY OF RAPALLO

THE Treaty signed at Rapallo was the fruit of negotiations which had been on foot between the two Governments for some time prior to the Conference. Its final shape was determined in Berlin during a break in the journey of the Soviet delegates from Moscow to Genoa. M. Tchitcherin then pressed for its signature, but the German Government preferred to go to Genoa with free hands, there to explore with the rest of Europe the possibility of a general agreement with the Soviet authorities. This was a natural and a proper decision, and M. Tchitcherin acquiesced in it. What had happened at Genoa to justify a reversal of that policy? Dr. Rathenau has explained his motives. The German delegates found themselves suddenly excluded from the negotiations with Russia, when the meetings at Mr. Lloyd George's villa took the place of the sessions of the Commission. They heard rumours, each more circumstantial and convincing than the one before it, that the Allies were on the point of reaching an agreement with the Russians. Anxious to protect legitimate German interests in any Russian settlement and to avoid being confronted at the next meeting of the Commission with a document which it would be difficult for Germany either to accept or to modify, Dr. Rathenau made three attempts to arrange a private meeting with Mr. Lloyd George. They were unsuccessful, two of them, we believe, because Mr. Lloyd

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George associated meetings with Dr. Rathenau with reparations—a subject which at the moment he wished to avoid—and the third, on the morning of Easter Sunday, because the Prime Minister had gone to church. In desperation or a fit of pique or in a moment of bravado—under the influence, perhaps, of all three motives—Dr. Rathenau obtained the consent of Dr. Wirth, who seems to have given it reluctantly, entered his car and drove to Rapallo to sign the Treaty which he had had in his pocket for weeks. By such curious interactions of accident and human weakness is history made.

It must seem to many unfortunate that Germany was excluded from the discussions with the Russian representatives as soon as they touched firm ground. For the interests of Germany in Russian reconstruction are patent. There is, indeed, as yet no evidence that those interests had been overlooked, and indeed the whole subsequent course of the negotiations with Russia has shown that Dr. Rathenau was completely misinformed if he thought that at Easter an agreement was imminent. Though they were not present at the discussions with M. Tchitcherin, Dr. Rathenau and his colleagues were in constant daily touch with the British delegation, and if they were unwilling to express their anxiety formally and in writing to the President of the Conference, numerous avenues of approach to Mr. Lloyd George were open to them. Even on the formal ground of defence which he has chosen Dr. Rathenau has a weak case. If it were ten times stronger than it is, no argument from formalities can excuse a political blunder, and for Germany herself and all Europe the Treaty of Rapallo is likely to stand as a political blunder of the first magnitude.

The Treaty offered Germany no obvious or immediate practical advantages. It was a bargain between a bankrupt and a debtor who is on the point of filing his petition. If Russia is to be reopened to trade it will be not by a separate agreement of this kind, but by a general understanding between Russia and the rest of Europe and with the help

## The Treaty of Rapallo

of credits provided in the first instance by other Governments than that of Germany. To set against its negligible advantages, the signature of the Treaty carried with it immense disadvantages to Germany. For it seemed to confirm the worst fears and suspicions of the French, to demonstrate that all who were working for conciliation were fools and blind. Every opponent of the policy of admitting Germany on equal terms to the councils of the nations could point in triumph to this proof that the old Adam still lived, that the pseudo-Bismarckian diplomacy which had laid Germany in the dust dominated her new democracy as it had dominated the old absolutism of the Hohenzollerns. And behind all there rose again into the vision of France—France embittered by invasion, fearful of revenge—the old spectre of a Russo-German military alliance, “a hungry Russia,” in Mr. Lloyd George’s words, “equipped by an angry Germany.” Ghosts such as this cannot be banished at once by an assertion, with whatever evidence of truth, that the Treaty was an economic agreement and nothing more.

The ultimate repercussions of this Treaty are hidden in the future. They will strike against every question which affects the relations of France and Germany for some time to come, and after the Treaty has been forgotten as a grievance it will live on as a pretext. Yet in defiance of the probabilities, it did not immediately wreck the Conference. Mr. Lloyd George contrived to manœuvre his ship off the rocks. M. Poincaré hesitated, or his tactics of dictating from a distance recoiled on him. His protest was too late, and when it was made the Conference had already been navigated back into smoother waters. Mr. Lloyd George, in a candid interview with Dr. Wirth and Dr. Rathenau, put to them the choice of abrogating the Treaty or retiring from the Commission during the further Russian negotiations. They refused, no doubt rightly, to abrogate. They had no wish to meet the taunt that a Treaty was still to the Germans a scrap of paper. So they accepted the other

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alternative in the hope that some general agreement with Russia would be come to into which their own separate Treaty might ultimately be incorporated. An exchange of notes, at once mild and firm for the Allies, conciliatory yet self-respecting for the Germans, closed the incident.

### III. THE RUSSIAN PROBLEM

**A**FTER Rapallo the negotiations with M. Tchitcherin were resumed where they had been laid down. We need not follow here their tortuous course through four weary weeks. More than once the Conference has been pushed to the edge of the abyss, either by Russian methods of diplomacy or by disagreement between the Allies. As we write it is still uncertain whether Russia will accept the latest offer, or if she does, whether that offer can stand as a proposal made by the Allies jointly.

There have been two difficult and perhaps insurmountable obstacles in the way of a satisfactory agreement with Russia. The first of these is the Soviet delegates themselves. They went to Genoa with certain definite aims. They desired recognition for their Government *de jure*, and they needed a loan or credits in some form. A revival of trade between their country and the outside world was a quite secondary object. For the attainment of their main aims they were prepared to pay a price, how big a price was a matter of bargaining. At an early stage they had the good sense to realise that their mere presence in Genoa on terms of equality meant recognition, whether it were at once followed by diplomatic missions and the traditional formalities or not. They were left freer to concentrate on obtaining direct foreign credits. Their method of negotiation won them certain easy successes; it had a kind of superficial originality and something which might at first sight pass muster as sturdy independence. On a nearer view the originality seems only cunning, the independence

## The Russian Problem

little more than a gift for spoiling every situation, however promising. M. Tchitcherin and his colleagues have overacted the part of the good bourgeois. They have said too much, and too much of what they have said has been simply irritating. All this has helped to confirm the impression of essential dishonesty suggested by the whole record of the Soviet Government. If M. Tchitcherin leaves Genoa at last with an agreement signed and sealed, no one is likely to feel great confidence that it will ever be executed. Until confidence in the Government of Russia is restored, trade and reconstruction can take no firm root. We should be far from suggesting that confidence is lacking because the Soviet refuses to accept unconditionally the obligations incurred by its predecessors. Russia has passed through a revolution, not on the model of those episodes which in South America have often taken the place of a general election, but an upheaval to which there is no parallel except in the mysterious and catastrophic eruptions of the natural world. Revolution in such a shape means not repudiation, but annihilation of the past. A direct loan by foreign Governments may be an indispensable preliminary to the restoration of the material life of Russia. But the time for it is hardly yet, because the Genoa Conference has brought forward no guarantee that such a loan would be used by the Soviet for the purposes for which it was granted.

The second obstacle, no less formidable, to these Russian negotiations has been the absence of any clearly defined aims common to the nations with which M. Tchitcherin has been dealing. Germany looks to Russia primarily as a market, as a vast undeveloped territory capable ultimately of absorbing a great part of the products of German industry, as a field in which the German genius for the scientific organisation of material progress can find full scope. These are natural and inevitable ambitions. With them goes the desire, still hesitating, uncertain of itself, subconscious almost, to find somewhere an escape from

## Genoa

isolation. It will rest with Western Europe, above all with France, to determine by its attitude towards Germany whether this vague leaning towards the East becomes a settled policy and a danger to Europe. To France, and to Belgium too, Russia is a pit into which in the past the savings of their peoples have been flung in profusion. So far as France and Belgium attach any value to an agreement with Russia, it is as a means to the recovery of all this treasure which the Revolution has engulfed. It is the bondholder and the investor in public undertakings in Russia who is seeking protection rather than the trader. To the British Empire renewed intercourse with Russia appears to be a condition of any full economic revival. The Russian market in itself is valuable, but in no sense vital to British trade. But the almost complete cessation both of imports into and of exports from Russia is an immense loss to the trade and industry of the world as a whole, and it is the state of world trade which is the true index to British prosperity. To Mr. Lloyd George an agreement with Russia has meant more than a key to the problem of unemployment at home. He sees in Russian isolation both a political and a moral danger. It is idle to consider disarmament in the rest of Europe as long as a vast revolutionary army is in being in the East. There can be no hope in a pact of peace and non-aggression which excludes the least peaceful and the most aggressive of European States. Poland, Roumania and the border states are in peril from the Soviet levies on their frontiers. Morally Communism permanently enthroned in Russia, sending its apostles East and West, propagating its insidious doctrines, is an infection which may in time sap the strength of every individualistic society. There is much truth, but there is, we believe, also some exaggeration in these views. The Red Army is a vast potential force, but for any active campaign beyond its own frontiers it has been crippled by the progressive paralysis of the whole system of transport in Russia.



## The Financial Commission

With so slight a basis for a common policy amongst the other nations of Europe, with so little evidence proffered by the Soviet that they had anything to offer, it is not surprising that the Russian negotiations have been protracted and seem certain to be unfruitful. The steady march of events both at Genoa and elsewhere has lent overwhelming confirmation to the view which has been so often expressed in *THE ROUND TABLE* that the central problem of Europe at the present time is not Russia but Germany, not the recognition of old debts so much as the remission of new ones. Reparations, barred from Genoa, have crept in through every crevice. They entered into the deliberations of the experts in the Financial Commission. They invaded the brief leisure of harassed politicians. A point scored by Mr. Lloyd George in one corner of Europe was countered by some move by M. Poincaré in another. Differences between France and England on a subject which had been excluded from the purview of the Conference magnified and distorted their other differences over its legitimate objects.

The fresh crisis which is approaching in regard to reparations demands to be treated at some length. But it will be convenient before entering on that subject to discuss briefly the work of the Financial Commission at Genoa. The report of that Commission was published at a comparatively early stage in the Conference, and bears directly on reparations at several points.

### IV. THE FINANCIAL COMMISSION

**T**HE Financial Commission, as it was originally constituted under the chairmanship of Sir Robert Horne, consisted of a hundred or two delegates and expert advisers. It was obviously in that form too unwieldy to function. It appointed a sub-Commission, and for the same reason the sub-Commission, as the only means of ensuring progress, nominated a Committee of eleven experts to deal with cur-

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rency and exchange problems, and another Committee to report on credits. These bodies set to work to consider, amend and elaborate the relevant sections of the report drawn up in London by the Allied experts prior to the Conference. Their recommendations were subsequently endorsed with slight alterations by the sub-Commission and the Commission, and embodied in formal resolutions.

In their main lines these resolutions follow the recommendations of the Brussels Financial Conference of 1920. In some respects, however, they go much further. They may be very briefly summarised as follows :—

1. Stable currencies everywhere are essential to reconstruction.
2. Currency reform will be facilitated by continuous co-operation between central banks of issue. (A conference of central banks, including the Federal Reserve Bank of New York, has been convened to meet in London for the further examination of currency problems.)
3. European Governments should at once declare their intention of ultimately establishing a gold standard.
4. Budgets must be made to balance by the reduction of Government expenditure, the imposition of adequate taxation, and, in countries where these measures are inadequate, by an external loan. Until this is done currency reform is impossible.
5. A return to the old gold parity is in many countries no longer feasible. It is a matter for each country to decide when to devalue its currency, but the first country with a seriously depreciated currency which after stabilisation boldly fixed a new gold parity would render a considerable service to Europe.
6. All artificial control of exchange is mischievous, and should be abolished.
7. The problem of inter-governmental indebtedness must be resolutely tackled before there can be any hope of final success in restoring the currencies or the economic welfare of Europe.

These precepts represent the expert financial opinion of Europe, and they would certainly be subscribed to by similar authorities in America and elsewhere. That they should be repeated and emphasised at Genoa is important. But it is to be feared that we are still far from their general translation into practice. The case for devaluation of at

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least half the currencies in Europe is overwhelming. But there is no suggestion which so readily arouses a violent sentimental opposition. In giving their blessing in the full Commission to these unanimous recommendations of the experts, the representatives of Italy and France were careful to point out that their countries were not ready to face devaluation; it was their settled policy to restore the normal gold parity. It is extremely doubtful whether even for France that policy is capable of fulfilment.

The Credits Sub-Commission was principally concerned to launch the International Trade Corporation. The Corporation is already registered in Great Britain and will have a capital equivalent to £20 million sterling. This is already either subscribed or promised, and at Genoa, apart from the Allied Powers and Germany, most of the neutral States showed an eager desire to participate. The Corporation will work through subsidiary companies in the participating States and will seek to arrange and finance contracts for reconstruction work, more especially in Eastern Europe. It will have many difficulties to contend with and with so small a capital cannot hope to reach the heart of the problem of reconstruction in derelict and semi-derelict States. But it has powerful backing and is being actively developed. Within limits which relatively to the vastness of the task are narrow it may have a reasonable prospect of success. In many ways the British Trade Facilities Act, which empowers the Treasury to guarantee principal or interest or both of loans raised anywhere for capital expenditure which will provide employment in the United Kingdom, offers a method simpler both in principle and in practice of attaining the same object. But the Act needs to be amended in order to make clear the intention of the Government and Parliament to take some risks in its administration. Up to the present the advisory Committee has been restricted to giving its blessing to what would be indubitably sound investments without it. The reconstruction of Europe can never come about from the exploitation only of certainties.

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## V. THE ETERNAL PROBLEM

GENOA, we have suggested, has established directly or indirectly beyond any possible doubt that a settlement of the reparations question is the most vital problem before European statesmanship to-day. It is also the most difficult, both on its merits and on account of the web of national hates and fears in which it is now enmeshed. For that reason Governments have repeatedly tried either to ignore or to postpone or to circumvent the problem. Probably no one has worked more strenuously to avoid the plain issue than Mr. Lloyd George. Up to the time of his departure for Genoa he consistently expressed the belief that given this or that—a strengthening of Anglo-French ties, an agreement with Russia, peace in Europe—the problem of reparations would dwindle to its proper dimensions and would then admit of an easy solution. It is hardly possible any longer to defend this view. Every day, unfortunately, seems now to bring with it a new warning that reparations are the key to most other problems, not those to reparations. All the indications are that before many weeks a definite crisis will be reached when the question will have to be squarely met.

To make this clear we must look back a little. In December last Germany asked for a moratorium for 1922-23. At Cannes a reduced scale of payments for those years would have been adopted but for the fall of M. Briand. When that put an end to the meeting of the Supreme Council, a temporary arrangement for a few weeks was made and Germany was called on to submit her own proposals and an outline of her Budget programme. In doing so the German Government pointed out that in spite of sweeping reductions in expenditure, the abolition of subsidies to the railway and postal services and the imposition of fresh taxation, the surplus available in 1922 for reparations

## The Eternal Problem

payments in cash and kind would be approximately £20 million. This reply was referred to the Reparations Commission, which in March published its decision. The Commission proposed that Germany should pay in 1922 720 million gold marks in cash and the equivalent of 1,450 million gold marks in kind. (These were the amounts provisionally fixed at Cannes but never confirmed.) This partial moratorium was made subject to the acceptance by Germany of a number of conditions designed to bring about an early reform of the German finances. *Inter alia* Germany was required

(1) To bring into force at once the new taxation measures drafted by the Government ;

(2) to prepare and to apply before May 31 a scheme for raising a further 60 milliards of paper marks by taxation in the financial year 1922-23 ;

(3) to admit the control of the Commission over the application and enforcement of German laws governing taxes and tariffs, and over the expenditure provided for in the Budget, and

(4) to take steps to prevent the migration of capital.

Failure to comply with these conditions by May 31 would involve the cancellation of the moratorium and a return to the full liabilities imposed by the London agreement of 1921.

These demands were declared by the German Government to be impossible of acceptance. The new taxation asked for was beyond the wit of man to devise. Control so extensive as that proposed meant Ottomanisation and was inconsonant with the rights of any sovereign state. The German Government was as anxious as the Commission to stop the migration of capital and to levy tribute on the admittedly large balances held by Germans in foreign banks, but could conceive of no machinery for detecting such balances except by international agreement. The Commission in reply simply reiterated its demands. There the discussion rested when the Genoa Conference began and there it rests to-day except that the German Government has declared its intention to pay the instalment of £2½

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million due on May 15. At Genoa reparations sank below the surface, but the subject, which no one ventured to mention under that name in public, was more talked of in private than any other and in the thinnest of disguises took its place on agenda papers and in reports. The eleven experts of the Financial Commission invented the term "inter-governmental indebtedness" to cover both reparations and inter-allied debts, and adopted unanimously, the French expert, a Treasury official, consenting, the following passage for insertion in their report in amplification of their recommendation number 7 which we have summarised above.

Foreign obligations by one country must be balanced by a capacity in other countries to absorb the surplus production with which alone those obligations can be met. If the burden of any country's external obligations is beyond its capacity to pay, and it cannot be assisted by foreign loans, the effort to meet those obligations must accordingly result, on the one hand in the dislocation of markets in other countries, and on the other hand in a continuous depreciation of the currency of the debtor country, which will entirely prevent it from making any start whatever in the direction of stabilisation.

By the irony of coincidence, on the day which saw the publication to the world of these words as the considered and unanimous opinion of Europe, M. Poincaré spoke on reparations at Bar-le-Duc. He declared that if Germany failed to meet the demands of the Reparations Commission by May 31 France would proceed to enforce her rights, "with or without her Allies," and that by way of the occupation of the Ruhr area. This speech pushed reparations into Genoa by the front door. It has not been retracted; indeed, it has been approved by the Foreign Affairs Committee of the French Parliament and acclaimed by the French Press. Mr. Lloyd George proposed a meeting of the signatories to the Treaty of Versailles present in Genoa to consider the reparations question, and as we write M. Poincaré has refused to attend any meeting before May 31.

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The French point of view is terribly simple. France was wantonly attacked. French soil was occupied, ravaged, desecrated for four years by the invader. Scores of her towns, hundreds of her villages were left in ruins. Factories were destroyed, mines flooded, the countryside defaced. These devastated areas must be restored and reconstructed. It is a task far beyond the ability of France to carry out from her present resources, yet it is a task which cannot wait. France needs in the next few years at least £500 million sterling. Who should pay this but the aggressor, who but the nation responsible above any other for the destruction? Germany has no devastated area. Her mines, her industries, her farms are intact. They are even producing at full pressure when the rest of the world is half idle. If her Government is poor, her people are rich; and her Government is poor for no reason but weakness and profligacy in administration, subservience to the great industrial interests, connivance at their policy of avoiding taxation by transferring their wealth to foreign countries. Germany must be forced to pay.

This is a passionate human argument, and must appeal powerfully to many minds not French. No answer in the cold terms of economics can be altogether satisfying to those under the influence of strong feelings. Yet there is such an answer, and we can see no escape from it. German industry is indeed prosperous, but it is not the prosperity of health, any more than the temperature of a high fever is the temperature of health. There can be no ultimate foundation for prosperity except national credit, and the national credit of Germany is tottering. The mark has dropped to its present value because Germany has been made to pay money which she does not possess, to pay it by selling her credit abroad, to pay it, that is, by selling something which the world no longer wants; latterly and more particularly because Germans themselves have lost faith in the mark. The difficulties of national psychology are peculiar to no one country. France has her injuries,

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Germany a deepening despair. Once destroy the German faith in the mark completely, take away from the ordinary citizen his belief in the future of his own people, and there is nothing left. The mark will go the way of the krone, and in its descent will bring chaos to Central Europe. That point, in the judgment not of Germans alone, but of all unprejudiced and intelligent observers, is very near. Only one thing can bring back confidence, stabilise the currency, and enable any Government that is in power in Germany to undertake the cleansing of the Augean stables of national finance. That is a different policy pursued by the former enemies of Germany. In no other way does it seem possible to find the credits which France needs now. They can be derived only from a loan in foreign currencies raised by Germany herself both from foreigners and Germans. Such a loan would attract back to Germany much of the capital which has migrated abroad and which cannot be forced back by any methods yet suggested. But the loan, if it is to reach any total of value to France, must also attract foreign investors. Is there any foreign investor who would risk his money in a German loan as long as Germany remains under an undefined obligation for reparations and is liable to be attacked without warning for every default? Fix the liability at a sum regarded as reasonable by investors throughout the world and a foreign loan becomes practicable, and with it the satisfaction of the most urgent needs of France. On any other terms they will remain undischarged.

A strong international committee, including Mr. Morgan as representing the United States, has been appointed by the Reparations Commission, and will meet shortly to consider the conditions on which it is possible for Germany to raise a foreign loan of any more than a trifling amount. Unless that Committee finds itself in disagreement with the almost unanimous financial opinion of the world, its report may be expected to lay bare the harsh realities of the reparations problem. An agreed and courageous find-



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ing on the lines which seem inevitable might enable even M. Poincaré to take shelter behind it. But withdrawal has been made extraordinarily difficult, even for a French Government which had committed itself much less deeply than that of M. Poincaré to a political instead of an economic solution. May 31 approaches with passions raised in France to a point at which some move, such as the occupation of further German territory, likely to be disastrous in its consequences to the whole of Europe, may be taken almost blindly.

### VI. THE ENTENTE

**I**F, through reparations, we are approaching a crisis in the affairs of Europe, no less certainly are we confronted by a crisis in the relations of France and the British Commonwealth. The Entente, in the common formula, is in danger. It would be more accurate to say, with the *Manchester Guardian*, that "the Entente, far from being a fact, is an object of policy which has not been attained." Can it any longer be attained, and if so, on what terms? If failure is now inevitable, what are likely to be the consequences? These are grave questions; the Genoa Conference has made an answer to them imperative.

It is perhaps hardly necessary to explain that nothing we may say here of Anglo-French relations has any reference to the personal relations of individuals, whether members of Governments or simple citizens. Their cordiality will be determined by other considerations than those of politics. Personal contact has probably never been closer than it is to-day or more friendly. Differences of national temperament must always, except in rare cases, make intimacy difficult. But between England and France every year strengthens the influences which are at work reconciling such differences. The youth of the present generation follow the same pursuits, and they are bound by memories, which are hardly likely to be extinguished, of common

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service and equal sacrifice in war. It is in the sphere of political co-operation that an ever-widening breach has opened. At no period since the Armistice have the two Governments or the two peoples been in full and free agreement on any of the larger issues of international politics. Over and over again radical differences in principle have been buried beneath a forced agreement not to differ. This may at first have been sound policy ; it is easily conceivable that the intensity of national feeling and the endless practical uncertainties of those years would have made of any other policy a direct menace to peace. But a time was bound to come when the facts no longer admitted of compromise, as it has come now with reparations or the idea of European co-operation ; and at that point every specious settlement of the past rises from the grave to claim its right to be perpetuated. So England and France have drifted into the position of partners who remain in nominal association though the vital essence of any partnership, mutual trust and loyalty, has been dissipated.

For an Englishman to project his mind into the present political thought of France is in any full sense probably impossible. The French attitude on reparations is intelligible enough, though we cannot share it. To the English mind the problem is first one of ways and means ; granted that money is required for a specific object, how can it most readily be obtained ? By compounding with the debtor, by allowing him time for recovery, or by driving him into the hands of the receiver ? But this is no ordinary case of debtor and creditor. For if we press the debtor too far it will ruin not him only. It will also drag down other nations and will retard—perhaps permanently—the recovery of Europe, indeed of the world. So with the yearning for future security from aggression. No great flight of imagination is needed to understand why France feels insecure. A permanent inferiority in numbers of almost 30 millions is to her an insuperable weakness. But with Germany disarmed and France in full panoply—and no evidence yet

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brought forward has in any way shaken the conviction not only of England but of the whole world that Germany is in fact disarmed—the weakness is surely imaginary, at all events for many years to come. And for the far future we believe that the best insurance is not to break Germany utterly, as the invasion of the Ruhr would break her, not to dissolve the Reich into the elements out of which it was built, but to follow a policy of moderation which will not sow the seed of lasting bitterness in the minds of the German people. In the long run, if France and Germany are to live on terms of permanent hostility, there is no escape from a war of revenge. But for our part we refuse to tolerate the notion of hereditary enmities. We are optimists even to the length of believing that in Ireland the memory of the past may ultimately be blotted out. We think it inconceivable that a great nation can for ever be kept in subordination by force alone. It is because we find France acting, not in an isolated instance but logically and systematically, on premises which from the depths of our being we reject that we feel French policy to be irreconcilable with the interests of the British Commonwealth and of the world. And yet we are puzzled. For we believe France at heart to be peaceful, hating war as we hate it. If it were not that the disquietude we feel is now shared almost by the whole world, we might come to doubt our own judgment. But Genoa has shown that French influence has waned even in those countries—Poland and the Little Entente—where it was strongest. In neutral countries, even in that second home of French civilization, French Switzerland, the prestige of France has been shattered by her policy since the Armistice. We are driven back on the assumption of some temporary sickness, some extravagance of nationalism, which only time can cure. The trouble is that the situation in Central Europe is already such as to make further delay dangerous.

If this diagnosis is correct, and if a real understanding is impossible, it is better that there should be an open differ-

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ence between England and France than the pretence of agreement where none exists. No British Government ought, in our view, any longer to shirk the issue of reparations, or for the sake of buying off France to be a party to a policy in which it does not believe. The end of the Entente does not mean, as friends of France have so often represented it, that England must abandon one friendship for another, France for Germany. The essential interests of the British Commonwealth are that it should be at peace with the whole world but should be free of entangling alliances. We agree with France that reparation must be made, and we think that the rehabilitation of France's devastated districts should be the first charge, but reason and the essential interests of our Commonwealth alike demand that Germany should be kept above water and restored if possible to economic health.

## THE DRIFT OF AMERICAN OPINION

### I

**T**HOSE of you, living east of the Atlantic, who have come to regard the Senate of the United States as a millstone about the American neck, may have been startled by the speed with which that Senate, first of all sovereign parliaments, ratified the treaties issuing from the Arms Conference. The Conference adjourned on February 4. Within the space of eight weeks—well-nigh instantaneous, as time is reckoned in the Senate—all seven of the Conference treaties travelled up Pennsylvania Avenue from the White House to the Capitol, and got home again without a casualty. The Arms Conference, with its veto upon naval competition, was itself a significant event. To many of us in the United States the promptness of the Senate in ratifying all seven of the resultant treaties is likewise a significant event. It may mark the turning of a corner. And it is at least indicative, in more respects than one, of the present temper of our public.

So far as the sheer political mechanics of ratification were concerned, the seven Conference treaties undoubtedly had the advantage of the more involved text that Mr. Wilson brought back with him from Paris, three years ago. They were shorter. They promised less. Mr. Harding profited, too, by a celebrated error of his predecessor. In his delegation to Versailles Mr. Wilson had given technical representation to the opposition party by appointing one

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venerable but obscure Republican (Mr. White). That infuriated the Republicans. And after the indignation it aroused, Mr. Harding would have been a very stupid man to have made the same mistake. As a matter of fact, he anticipated Democratic opposition by appointing Mr. Underwood, Democratic leader in the Senate, as one of his four delegates. In terms of American politics, that practically committed Mr. Underwood in advance to an endorsement of the Conference. Subsequently, in his position as party chieftain, he was able to swing with him enough of his colleagues to provide the two-thirds necessary for ratification. Both within the Senate and without, there were influential Democrats lined up against the treaties. Without Mr. Underwood's efforts, Democratic opposition in the Senate might easily have prevented ratification.

The President thus had on his side the support of the chief Opposition leader in the Capitol, plus the fact that his treaties were brief, uninvolved, and linked with a widespread and well-organised desire for "disarmament." This may or may not have been enough to win. But the President also had on his side a factor which is perhaps not sufficiently reckoned with, abroad. And that was a genuine antipathy on the part of many Americans to the idea of having more treaties, no matter whose, thrown upon the scrap-heap. This attitude has not featured our comments on the Arms Conference, but it has been a factor of importance, none the less.

What I mean is that there is in America a good deal of self-consciousness about having backed out of a responsibility, however unpleasant; that there is a very general apprehension lest we appear "timid," "unwilling to play the game," "behind the times"; and that a widely shared sentiment of this sort unquestionably played a part in prompt ratification of the treaties. It is true that many Americans who harbour these doubts are also the same Americans who have vehemently opposed our entrance into the League of Nations or our participation in the affairs

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of Europe. But we are a people who thrive on praise. It is a diet most other people like as well as we do. But for us, praise is no longer a luxury. Thanks to our vaunted idealism in the war, it has become a habit. And, of late, because we are the world's creditor, because we have withdrawn into our own self-sufficiency, and because the world is fed up with our glory, not a great deal of praise has come our way. We are, moreover, a nation of conformers. The architecture of our streets, the intensity of our patriotism, the cut of our clothes, the almost infinitely small distinction between our two major political parties, all testify to that. And we are not conforming. We are not conforming—every time fifty-odd nations meet together in the League, and leave us in the outer darkness with the Germans and the Bolsheviks. Do I suggest how it becomes possible for even some of those Americans who most belligerently oppose our participation in world politics to resent, nevertheless, our isolation from them? Article X still offers an escape-valve for one set of emotions—while another set bids the Senate have done with throwing treaties in the discard, resents the charge that we are hangers-back.

I can perhaps illustrate the present strength of this sentiment I am describing, this desire not to appear too continuously in the rôle of obstructionist, if I point out the less critical attitude it brought to the consideration of Mr. Harding's treaties, as compared with Mr. Wilson's. On the floor of the Senate, at the high point in the debate upon the new Four Power Pact, we had an extraordinary revelation of the superficial fashion in which at least two of our delegates had considered certain aspects of that treaty. The central point in the attack upon the Pact was its likelihood or unlikelihood of involving us in trouble in case a reconstituted Russia attempted to recover from Japan the island of Sakhalin. What chance was there, of such a Russian effort? Very little, Senator Underwood and Senator Henry Cabot Lodge told the Senate. For

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Sakhalin was too far off from Russia. Asked how far, Mr. Underwood replied, "I do not recall ever looking at a map to ascertain exactly how great the distance is, but if the Senate wants my guess I should say several hundred miles." Mr. Underwood pictured an island somewhere in the wide Pacific instead of immediately alongside the Siberian coast; and Mr. Lodge, when it came his turn to guess, guessed five hundred miles. As the *New York World* points out, "Between an island several hundred miles at sea and one close enough to the mainland so that you can walk to it across the ice in winter there is a difference which one might reasonably expect a Senator to have considered before he signed a treaty mentioning it." To have shown no more thorough consideration of obvious strategic values than this would, in the days of Wilson's treaties, have been to court defeat. Omissions and ambiguities that became ringing party slogans, in those days of Wilson's struggle, we gloss lightly over, in our present mood.

We are less critical nowadays, because, it seems to me, we are less irreconcilable—and consequently not on the watch for opportunities to object. And it is also true, I think, that we are less critical because we are weary of new "problems" and new "situations." We should have had both if the Senate had left a half-dozen treaties hanging in mid-air. Ratification was desirable, for one thing, because ratification was convenient. In common with a war-weary world, we are tired of having to solve things. Congressmen complain that their constituents show little interest in pending legislation. Editors instruct their contributors to look for something cheery. Broadway has no place for "problem plays." Our most popular novel of recent months, in contrast to *Main Street*, favourite of a year or two ago, is *The Sheik*, a desert tale of springtime and abduction, in which the only problem is credulity. Front pages of the newspapers, temporarily pledged in part to news of world events, have swung their emphasis again to murder mysteries



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and scandals of the moving picture queens. A young man from Onowa, Iowa, inventing a new confection christened "Esquimo Pie," receives £400,000 a year in royalties. I dare say there is no direct connection between the success of "Esquimo Pie" and the present temper of the country. Its creator might have been just as well rewarded had the Battle of the Marne been at its height. But to me there is something symbolic in his triumphal progress at the present time.

There has, in fact, been a sag even in our post-war hysteria, our panic over Bolshevism in a land of plenty. That hysteria was so boisterous as to attract attention overseas. It is nearing its last phase. It has gone on, as so often it has gone on before, from politics and economics to morals and religion. The Kentucky State Legislature debates a law to forbid teaching Darwinism in the schools. William Jennings Bryan stumps the country preaching back to normalcy in our faith, demanding proof he is descended from the monkeys. In the New York State Legislature, Assemblyman William Duke, jr., introduces a Bill providing for the arrest of anyone doing more than forty fox-trot steps or sixty-one one-steps a minute; moreover, "The lady's left hand should rest upon her partner's arm or shoulder, but not extend to his back or neck." In Kansas a schoolboard election is fought on the right of teachers to bar from the classroom maidens whose skirts fail to fall at least three inches below the knee. At Coney Island Police Inspector Byron T. Sackett orders draperies hung upon three cream-coloured plaster figures called "The Fallen Angels." If we have not reached the last cycle of our post-war fervour, at least we are well along the way.

# The Drift of American Opinion

## II

OFTEN enough reasons have been given for the wave of hysteria and the demand for "isolation" that swept the United States in the wake of war. Both were derivatives of war psychology, the same war psychology that produced emotions of somewhat similar character in all warring lands. In our own case emotion was intensified by the peculiarities of our situation. Our war enthusiasm developed late in the struggle; there was a good deal of it left unspent at the end to turn to heresy-hunting. Moreover, it was enthusiasm developed essentially in the war itself rather than in the politics of Europe. It is not so great a paradox as it sounds, that Americans who would have sent their sons to storm Fiume in 1918 were horrified six months later to find their President participating in a debate about its allocation. America's return to isolation was perhaps to have been expected from a war enthusiasm so sudden, so spirited, so remote in mileage and so centred in the trenches.

So, however propitious 1918 may have seemed, for an abandonment by the United States of a long-standing policy of aloofness, it is probably true that first there needed to come a shaking down of war psychology, an approach, through more normal channels of persuasion, to the new opportunities and responsibilities of participation. And for those who have Anglo-American relations at heart it is good fortune that as war hysteria ebbs and confidence in "isolation" meets challenging cross-currents of the sort I have suggested, there should occur certain events that perceptibly consolidate the friendship of the two countries.

There is no mistaking the prestige Britain has gained with us as a result of her policy in the Arms Conference. Mr. Hearst insists that Sir Arthur Balfour and his colleagues

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carried off the prizes of the day. His cartoonists show John Bull turning in the doorway to remark: "Well, Sam, the Conference is drawing to a close. We got everything but the kitchen stove, so we might as well take that, too." There are other observers who behold in the Conference a British jubilee. But whether they are right or wrong, theirs is certainly not the majority impression. The Des Moines *Register* hails Britain's policy as one of "making almost any sacrifice for the sake of close relations with America." "It required a great deal of courage," the *Register* believes, "and a great deal of confidence in the practicability of concord among the English-speaking nations for Britain to relinquish the naval supremacy that had proven innumerable times the one sure bulwark of her empire." Similarly, the Topeka *Capital* declares that as between the United States and Britain at the Conference "the primary purpose of British policy was to strengthen the ties uniting the two nations." "Undoubtedly the memory of old grievances and differences and prejudices remains in the mind of many Americans," says the *Capital*, "but England has made it difficult for such persons to perpetuate old grudges." In concert, Britain and America "can put the world on its feet again, wear out and discourage the new militarism of continental Europe."

I might fill several pages with comments of this sort. The Minneapolis *Journal* believes the Conference will result in "the scrapping of outworn prejudices between the two great English-speaking nations." The Denver *Rocky Mountain News* declares it evident that Britain has "staked her existence on a complete understanding between the two peoples, not an alliance, and independent of written treaty, but a people's understanding." The Portland *Oregonian* maintains we are "of one mind on the principles that should govern the relations among the nations," and declares this to be "the most endurable bond imaginable." The Dallas *News*, discounting in its enthusiasm our large Slavic and Teutonic infiltration, maintains the Arms

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Conference "has been a demonstration of Anglo-Saxon unity" which must "exert a pacific influence not merely over the regions of the Pacific Ocean, but over the Seven Seas."

It will be noted that none of the papers I have cited—and the list might be immoderately extended—is representative of sentiment along the Atlantic seaboard (usually assumed to be comparatively "pro-British" in its sympathy), but that in each instance the editor's chair is pitched somewhere in the Great Plains or the Far West. I have purposely chosen instances of this sort. And in their really considerable bulk they testify to the respect and friendliness Britain won in Washington. With due allowance for dissenters, we have the general impression that on most central issues in the Conference Britain's delegation stood with ours. We credit Sir Arthur and his colleagues with an effort to improve the lot of China. We recognize that it was Lord Lee of Fareham who led the fight on submarines—a cause demonstrated to be popular in this country by referendum, official if somewhat haphazard. It is true, to be sure, that Anglo-American partnership was occasionally less substantial underneath than on the surface. At the Conference it did not seem to me probable that the British delegation would have accepted literally certain American proposals concerning China, which never got to the point of acceptance, but were discarded early owing to the opposition of the French and Japanese. When British spokesmen had objections, they usually let the French and Japanese express them. The result was an impression of almost invariable support, on behalf of Britain, for anything Americans proposed. I should apply this comment only in a few instances of which one would be the defeat of Mr. Hughes's plan for examining *existing* commitments in respect to China. On the whole, within the moderate limits of the programme which our delegates proposed, British support was substantial—and Britain frequently took the initiative away from us. These

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facts seem to have been recognized at their worth by an American audience confined to no one section of the country.

And from the point of view of Anglo-American relations, it was a happy coincidence that hand-in-hand with this dénouement in the Conference came the settlement in Ireland. American felicitations on that score have, no doubt, been published in the British Press. It would be possible to cite many instances of our far from academic interest. Some of our newspapers (the St. Louis *Globe-Democrat*, for example) express a hope that now the Irish question will "cease to be a disturbing element in our domestic and foreign relations, 'twisting the lion's tail' will no longer appeal to the Irish vote."

This optimism is courageous; but what is unquestionably a fact is that nine-tenths of the American Press hails the settlement with undisguised relief. In the ranks of the Irish-Americans themselves division of opinion has produced a schism. Thus, while the American Association for the Recognition of the Irish Republic fights the new treaty, the Friends of Irish Freedom assail de Valera for attempting to raise funds here for the purpose of defeating it: "We condemn the collection of money in America to enable one set of Irishmen to fight other Irishmen, or to finance an election campaign, and we deny and repudiate the claim that those who support Document No. 2 are standing by the Republic." A split in Irish-American ranks, between supporters of the treaty and its opponents, and between opponents of the treaty who are for de Valera and those who are against him, was probably to be expected, and no doubt has been reported in the cables. What has happened, however, is not only a division in Irish-American ranks, but a much wider shift in emphasis. In the past American opinion has often held Britain to account for responsibilities in Ireland that were Ireland's, as well as those that were Britain's own. It is already evident, in the weeks since the signing of the treaty, and with the

## The Drift of American Opinion

new transfer of authority, that we are able to draw the line more clearly.

And the rest of the Empire? We are still interested. For Americans the Empire is not limited exclusively to Ireland, though occasionally it has looked that way. It would probably be guessing low to estimate that within the last two months Gandhi's picture has appeared in a hundred magazines and newspapers. We are well read in the story of the spinning-wheel. We know that Zaghlul Pasha has been deported from Egypt, even if we forget his St. Helena. Journals as distant from the Nile and as little reminiscent of it as the *News-Bee*, in St. Joe, Missouri, publish on their first page cartoons of Egypt clamouring for independence. To be sure, we have our own clamouring Porto Ricans. And there are Americans who contribute to Associations for the Freeing of Egypt and the independence of India and never give a thought to the Philippines. It is perhaps by tradition the privilege of republics to worry about the integrity of empires. But Egypt is Egypt and the Philippines are the Philippines. India has 300,000,000 people, and Porto Rico is a dot in the ocean. Relative importance in popular imagination inevitably cuts a figure. We do not bother you about Rhodesia and the Gilbert Islands.

### III

**T**HERE is a query which arises at this point in any summary of American opinion which it is difficult to answer confidently: If it is true that recent months, with the Arms Conference and the Irish settlement, have brought Britain and America into closer harmony, and true, also, that ratification of the Conference treaties may in some ways mark a turning point, then how soon may Europe expect American participation in world politics, and in what fashion will it come?

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It is a difficult question to answer, because evidence lies so completely in the realm of contingency and conjecture. I doubt whether anyone save a half-dozen leaders of the Administration are actually certain whether or not our Government has a definite policy. We are in retirement for the present. We decline invitations to Genoa. But there is the liveliest disagreement as to whether we hold aloof because we have not yet made up our minds, or because we *have* made them up—and want aloofness. Then comes the question of aloofness for what end? As a goal in itself? A continuation of George Washington's policy of isolation? Or rather for its effect on Europe as a means to some quite different goal? My own impression is that at least two factors are responsible for the Administration's present attitude: It is willing to wait upon the future, before making up its mind; and it believes meantime that its hesitancy will induce continental Europe to put its house in order as a means of winning our cooperation.

The Harding Administration is in an anomalous position. In his pre-election campaign Mr. Harding appealed for votes to both friends and enemies of the League of Nations. He has been appealing to both sides ever since. He has the certain knowledge that any move in the direction of the League—such as our representation on the Reparations Commission—will be snapped up by the Democrats and utilised in the November elections as evidence of their own superior judgment from the first. Moreover, Mr. Harding has a problem on his hands in determining whether he is going to lead Congress or Congress is going to lead him, or neither of them going to lead the other. As one of our New York newspapers points out: "The days are few when both of them happen to be going in the same direction. The days are still fewer when they show a clear and definite notion of the direction in which they really wish to go." Finally, it is plain that Mr. Harding is uneasy about Europe. If the recent months have added to our fund of

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common interests with Great Britain, they have also added doubt as to the far-sightedness of France when led by M. Poincaré.

Certainly in the American rejection of an invitation to Genoa, this doubt played a part—along with our determination never to meet an unregenerate Bolshevik in conference. Mr. Hughes's note of regrets was a bit opaque. "The proposed conference," he said, "is not primarily an economic conference, as questions appear to have been excluded from consideration without the satisfactory determination of which the chief causes of economic disturbance must continue to operate, but it is rather a conference of a political character in which the Government of the United States could not helpfully participate." Is that simply a polite way of saying no? If those questions whose omission Mr. Hughes deplors had been included in the agenda, the Genoa programme would not have been any the less political. It would have been more political than ever. Genoa is still in its early stages as this is written. Whether it will taper off to an inconclusive finish, wind up in a blaze of glory, or fall altogether flat is something we have yet to learn. But it is a likely assumption that America's principal reason for holding back was less the political tinge to the Genoa agenda than the suspicion that continental Europe was still unready to deal with reparations, armaments and budgets in such fashion as to secure a constructive settlement. If they were right in assuming the absence of this intention, there were Americans to whom Genoa seemed only a new effort to attract our resources into the business of enabling victors in war to reap their fruits of victory.

It is Europe's task to convert these sceptics. They have had much to encourage their suspicions in the past. And when the United States participates in the affairs of Europe, it will probably be last of all as joint executor of the Treaty of Versailles.

It is perhaps not enforcement of that Treaty, however, of



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which Europe stands in greatest need. American co-operation can take other forms. It can play a part in the economic recovery of Europe, without helping to collect spoils. And it can share membership in the League of Nations and still not act as bailiff for the Treaty.

And here, in contrast to that rôle of armed ally which the French have been demanding, our début may not be so remote. It is not simply that we have gone so far in isolation that there is no going further. There is also something a bit more positive, a certain revival of interest in the affairs of Europe and the organisation of world peace. In no other way, I think, is it possible to interpret data gathered by an official "Advisory Commission" appointed by the President, on the occasion of the Arms Conference. This Commission examined petitions and referenda arriving from all manner of commercial associations, women's clubs and labour organisations. It reported on December 1 that 38,405 petitioners had expressed themselves "in favour of some sort of association of nations." Two weeks later the number had jumped to 1,045,000. Evidently there had been some active campaigning in the meantime on the part of those who wanted such a showing. But a gain of this sort betrays at least a flickering interest none the less. I am told, too, that organisations like the Foreign Policy Association and the National Security League, which make it their business to wrestle with public opinion, and acquire some skill in choosing a propitious moment, are convinced that the time is ripe for a campaign to demonstrate to Americans their essential interest in the political economy of Europe.

It would be a mistake to attach too much importance to these small events. They are straws in the wind, no doubt; but several winds are blowing, and not all in the same direction. It might be thought, for instance, that no matter how cordially the American Senate disliked the Treaty of Versailles, at least wearers of a toga had had time to see a certain connection between the collapse of European

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markets and business depression in America. If we have no other object in the world than repayment of our Allied loans, at least for that reason should we covet trade with Europe. But within the last few days the Finance Committee of the Senate has appeared upon the scene with a new tariff Bill, building a higher customs wall around our coasts than ever.

It is too early to predict a return of the United States to the stage of European politics. That must be the conclusion of any survey of American opinion at the present time. We are not that far along the road. Passage of the Arms Conference treaties by the Senate is a significant event. But, of its own motive power, it does not propel us toward Europe or the League. It is rather the dynamiting of some barrier at the gate—a barrier of inaction and obstruction which, good or bad on its own score, had become almost a psychological inhibition.

That barrier is down, and the roads are open. Which road we shall choose depends upon Europe, Mr. Harding and the recuperative power of an American public opinion that has been dragged uphill and down.

United States of America.

April 19, 1922.

# IRELAND AT THE CROSS-ROADS

## I. THE NEW ISSUE FOR SOUTHERN IRELAND

WHEN Ireland was last the subject of comment in the pages of this review the doubts and anxieties of the hour turned upon a settlement of the relations of the twenty-six counties of Ireland with Ulster, with Great Britain and with the British Commonwealth. Round these three points the too familiar outline of the Irish problem was drawn. The events of one quarter have brought a decisive change. It is hardly too much to say at the time of writing that the question of the external relations of Southern Ireland is in abeyance—in suspense, at least. Ireland to-day presents the bare problem of government itself. Ireland's representatives have signed and endorsed a treaty of peace. The Irish people is ready, as all the signs go, to accept it. On the very margin of peace it is halted at pistol-point. A section of irresponsible zealots backs a new theory of divine right with rifle and revolver. Political opposition to the Treaty protests that the electorate cannot record a free decision because the alternative to a treaty of peace is war—as it has been since war and treaties began. Military opposition goes further. The elections must not be held. "The people" cannot be trusted not to betray "the nation" by accepting something less than the Republic for which it is predestined. In this atmosphere it is evident that the ordinary terms of politics have lost all meaning. It is the extreme deformity of a long-thwarted nationalism. For these mystics the nation has come to have a spiritual

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existence wholly independent of its secular life. The voice of the nation is not what it is but what, in their inspired view, it ought to be.

What the minority threatens is thus more than the Treaty. It is freedom and the whole orderly life of a civilised community. The pillar of majority rule is rocking. Ireland has been a revolutionary country. The whole practice of the revolutionary is to justify the means by the end. The revolutionary ideal, for those who profess it, sanctions, in fact sanctifies, the suspension of every restraint of civilisation. Crime becomes duty. For the suppression of opinion, the seizure or destruction of property, and the taking of life itself, the authority is the name of the revolution and the warrant is a sufficiency of force. If the moral code is a political obstruction it ceases to exist for those whom it obstructs.

Revolution begins with the organised and instructed overthrow of the independent standards of conduct by which society holds together. Nothing but their restoration ends it. Its political aims apart, revolution succeeds in the measure in which it undoes its own work. Revolution indefinitely continued is anarchy and social suicide. Where and by what means shall it be halted? Precisely that question now confronts the Irish people, as in 1917 it confronted Russia.

A minority party proclaims that the revolution is proceeding and will proceed. If the revolution is proceeding, the tactics of the gunman are justified still by whatever casuistry they were justified in an earlier stage. The Government of the majority has now the invidious task of defending what its members, as revolutionaries, were but lately attacking. The defence of law and order, property and life, is the alphabet of government. In that respect an Irish Government cannot speak other language than the British Government spoke. The Irish people, long schooled to the disregard of authority while it spoke in British accents, has now to recognise authority speaking in Irish

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accents and range itself boldly on its side. The challenge is not as simple as it sounds to the stranger. The opposite scale of the balance is not empty. Naturally extremism recruited much of what is robust and convinced in Irish political opinion. It is to the Irishman-in-the-street that the Government turns. He has an inherited prejudice against government. He is asked to take personal risks for it, to face civil war if necessary. Round him are the blackened ruins and bitter legacies of the irregular strife of the past three years. Whatever his opinions, his instinct is for neutrality in action. The competing attentions of the Black-and-Tans and of the gunmen strengthened an old belief of his in the practical wisdom of holding aloof and leaving responsibilities to those that cared to take them. He is war-weary enough to hope for peace. But war-weariness by itself takes him no further. Besides, is the choice so easy? The opposition is sounding the authentic call of national freedom. Unquestionably its leaders are "patriots." They are disinterested, determined, and personally fearless. It is one thing to believe the prophets of the national cause mistaken. It is another to gird yourself for their overthrow.

In this exhausted moral atmosphere and among these difficulties, government in Ireland is precariously halted. Not until elections are held, or until it is known whether they can be held, will the new issue between majority opinion and revolutionary right be settled.

### II. THE SINN FEIN SPLIT

**T**HE explanation of the causes which have held Ireland suspended between Treaty and Republic lies some months back. The universal rejoicings which hailed the signature of the Treaty last December were checked and sobered by the announcement, soon after the Irish delegates' return to Dublin, that the Dail Cabinet was divided

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and that Mr. de Valera, Mr. Brugha (or Burgess) and Mr. Stack opposed the settlement. The first public session of the Dail on December 19 showed how deep the division had gone. Even then the members were reluctant to acknowledge that the national movement was split. Since the day when first the forces of the English Crown were invited into the country, Ireland's divisions had been Ireland's undoing. The rise of the Sinn Fein Party from the embers of the 1916 rebellion had been a demonstration of growing unity in the face of the British Government. To the need of unity every other need, social and economic, of Ireland had been subordinated. It came with a shock to the Sinn Fein mind to find unity endangered if not lost. Anti-treaty speeches deplored the action of the Irish delegates, who signed the Treaty, as disruptive. Pro-treaty speeches appealed to the other side for unity. In Mr. Collins' own speeches this note was uppermost. He offered the Treaty only secondarily as the means of peace with Great Britain or peace with Ulster, and more as something on which all could agree, an instalment of Republicanism, satisfactory to the principles of Sinn Fein, and more Republican even than the alternative compromise which Mr. de Valera had himself suggested.

After a long and bitter debate the Dail ratified the Treaty by 64 votes to 57 on January 7. The majority and the minority withdrew to form new organisations for furthering and combating the cause of the Treaty in the constituencies. The party of Sinn Fein was definitely sundered. What principles and what leaders was the party organisation now to serve? That was for the party as a whole to say.

Before considering the answer to that question it will make for clearness to summarise briefly here the situation in which the Dail's decision on the Treaty left the government of the country. After the General Election of 1918, the Dail had proclaimed an Irish Republic. It had proved, naturally, a demonstration rather than a reality. It

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pursued a shadowy competition with the institutions of the British Government. Its organisation was mainly clandestine, coming here and there to the surface wherever the withdrawal of British forces allowed its courts to operate. In the eyes of the British Government it did not and does not exist. In the eyes of Sinn Fein it was and is the Republic in being. The Dail, it was claimed and agreed in the course of the Treaty debate, had no power to disestablish a Government set up by the popular vote. Only another popular vote could do that. At the same time, the British Government could not transfer its powers to a Government which it did not recognise. Under the terms of the settlement a Provisional Government was to be set up to receive these powers. After the Treaty ratification it came into being with Mr. Collins as its chairman. Mr. Griffith succeeded Mr. de Valera as head of the Dail Government. Thus, pending an election, the pro-Treaty majority in the Dail manned two administrations side by side, duplicating many of each other's functions, and working as one Government under a novel, if inevitable, scheme of dyarchy. In the country Sinn Fein courts administered justice side by side with the courts of the King. Newly raised forces of the Provisional Government took over barracks and depots from the rapidly vanishing troops of the British Government, and held them "on behalf of" the Dail Cabinet. The Provisional Government set about organising a constabulary not due to enter on service until the popular choice had approved the Treaty.

This confused stage of constitutional development had been reached when the Extraordinary Ard-Fheis, the national convention of the Sinn Fein Party, opened its sitting in Dublin on February 21. The first day of the meeting was occupied by angry but inconclusive discussion on the propriety of holding a General Election on the Treaty. At the end of the day the Ard-Fheis adjourned until next morning to allow of a conference between the

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leaders. The balance of opinion in the Convention was admitted by Mr. Collins to be against the Treaty.

Next morning Mr. de Valera announced to the Convention that an agreement had been reached. Its terms were as follows :—

1. This Ard-Fheis shall stand adjourned for three months.
2. That in the meantime—
  - (a) The Officer Board of the organisation shall act as a standing committee.  
(This provision gave equal representation to both parties.)
  - (b) Dail Eireann shall meet regularly and continue to function in all its departments as before the signing of the Articles of Agreement (with Great Britain), and that no vote in Dail Eireann shall be regarded as a party vote requiring the resignation of the President and Cabinet.
  - (c) That in the meantime no Parliamentary election shall be held, and that, when held, the constitution of the Saorstat (Free State) in its final form shall be presented at the same time as the Articles of Agreement.
3. That this Agreement shall be submitted to the Ard-Fheis, and, if approved, shall be binding.

The enthusiasm of the meeting left no doubt of its approval, which it gave with unanimity, standing and cheering for several moments. In that instant at least the comforting sense of harmony had returned to the politics of Sinn Fein. But the price of it had to be paid.

The supporters of the Treaty, it is true, had escaped what would probably have been a narrow defeat. They had not been deprived of their title to speak as members of the national movement. The Treaty had not been placed definitely beyond the pale of Sinn Fein orthodoxy. Open conflict by force of arms had been averted or delayed, and physical resistance to the Treaty could not be justified by the authority of a Sinn Fein party decision. These ends had certainly been gained, and they were worth not a little. Sinn Fein as a party had been neutralised. The organisation had been reverently embalmed and laid aside.

But the Free State section had accepted terms which



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laid upon them heavy and almost paralysing obligations while leaving their opponents untrammelled. The country, and the Government or Governments of Mr. Griffith and Mr. Collins, were now committed to grope for three more months at least through the confusions of a transitional period. What might happen at the end of that period was no clearer. The opponents of the Treaty abandoned, under this agreement, nothing of their case against the elections. 'Three months' delay did not deprive them of their contention that, while the alternative to the Treaty was conflict with Great Britain, the choice of the Irish electorate was not free, valid or binding. The Dail, moreover, had already become only the shadow of a popular assembly. Its mandate was plainly exhausted. Pending the election of a new assembly the Government was a head, or twin heads, without a body. From a Government in this condition of enfeeblement, whatever the individual capacity of its members, decisive handling of the many problems arising in a country, distracted and demoralised by a guerilla of more than three years, was hardly to be looked for. But in the midst of an unequal struggle with the day-to-day tasks of administration under these conditions, the Treaty party had now been fixed with an even graver responsibility. At the elections, when held, it had consented to submit for the judgment of the people not only the Treaty but the constitution of the Free State "in its final form." In the natural course of democratic practice the electorate would have been consulted first on the issue of the Treaty itself, and would, if it accepted the Treaty, have returned representatives to serve in a constituent assembly whose sole duty it would have been to frame the permanent constitution of their country. But revolution and democracy are incompatible terms. If, according to the thesis of the Republicans, the electorate could be trusted to vote on the Treaty at all, it could not be trusted to vote upon it unless its principles were first exemplified in a ready-made constitution. The choice of the electorate is to be

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arbitrarily limited to the document before it. The cost of rejecting it is the loss of the Treaty.

In other respects the condition, successfully imposed by Mr. de Valera's party, was injurious. It can hardly be supposed that a constitution, drafted by a party committee for submission at the elections, will be unaffected by the political exigencies of the moment. Wherever a long view of Irish needs conflicts with a short view of electioneering factors the scales will be weighted in favour of expediency. There is a further dilemma. Is the Treaty a document wiping out the past and permanently settling the relations of Ireland and the British Commonwealth upon a new basis of reciprocal good faith and goodwill, or is it a shrewd tactical move in a hostile Irish campaign which will continue under altered forms? The opposition to it is not, as to Home Rule in the past, from those who prize beyond all their membership of the Commonwealth. It is from those who have made antagonism to the Commonwealth the symbol and shibboleth of their political faith. In the constitution, as now in the Treaty, it is the link of union upon which the opposition will concentrate.

The temptation in framing the constitution to steal the Republican thunder will be severe. From the beginning of the Treaty struggle it has proved so. It has been fostered by the passion for a superficial unity and by reluctance to break with old associations and to stand upon a fresh alignment in a way that would have been treason to the national cause six months ago. The supporters of the Treaty have blurred the issue of principle it raises by presenting it as one of method. The Irish people has not yet been asked to declare that it is friendship, as well as freedom, that shall be born of the Treaty with Great Britain.

The draft constitution will be the final interpreter. Its tenour will show whether and in what degree the Treaty is to be recommended to Ireland as the permanent basis of an unashamed partnership upon equal terms in the freedom and fortunes of the British Commonwealth. A straight-

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forward appeal would certainly, in the existing circumstances, demand moral courage of a high order. It would be a fruitful act of peace and appeasement to which the North could not remain indifferent. It would strike directly at the oldest and deepest sources of Irish disunion and its sponsors would stand to reap in their own field the assured stability of the Irish State. A constitution that strains the terms of the Treaty in an attempt to disarm Republican hostility will defeat itself. Even in Southern Ireland it could afford no sure and distinctive foundation for the institutions of the country—nothing for which its citizens could stand as against disruption in the future. It could not placate opponents who are not open to compromise of any kind. All that it could with certainty do would be to force exclusion more rigorously upon Ulster and compel her to reorganise her life at whatever cost on a permanent footing of partition. Pushed to extremes, it is obvious that subtle and casuistical manipulation of the Treaty terms in this sense might even reopen the constitutional issue with Great Britain, which all the world hoped and hopes that the Treaty has solved. The disastrous possibilities of that event we may still hope to be spared.

How little the Ard-Fheis had influenced the general position in Ireland, unless for worse confusion, subsequent developments were swift to show. The truce it had proclaimed was not a truce but a deadlock to which almost every day, as it came, contributed new dangers.

The political campaign of speeches in the country had scarcely opened when the Republican party began to finger a deeper note in the octave of argument. Speaking on March 5 at New Ross, in County Wexford, Mr. Brugha made a statement with regard to the army's attitude to the elections.

I know (he said) the Republican Army and know the spirit of the men, and I am of opinion that, first, with regard to the men who have done the fighting and have no votes, that they are going to see that there is trouble if Ireland is brought within the British Empire

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without giving them a voice or opportunity of saying what they consider about the matter. If they are going to be overborne by the votes of people who have made no sacrifice whatever, and if those preponderating votes are going to make them British subjects, those men will likely make themselves to be heard in a much more strenuous way than by merely registering votes.

This must be placed on record as the first public encouragement given in this campaign by a presumably responsible Irish politician, of armed resistance to the elections.

Mr. Brugha lit his match in an atmosphere already well-charged with explosive opinions. On the morning of the Ard-Fheis meeting the Press had published a proclamation signed by the Commandant and eight battalion commanders of the South Tipperary Brigade. Recalling that a minority "saved the nation" in the rebellion of Easter Week and convinced that "a beginning must be made somewhere, some time, and by someone," the signatories proclaimed that the attempt to set up the Government of the Free State was illegal and immoral. Other units of the army were summoned to follow the Tipperary example and "unite to defeat their domestic enemies."

This movement in the army was carried into the practical stage on March 4. An armed force of several hundred Republicans commandeered and occupied the principal hotels in Limerick. For a week Limerick hung on the edge of war. Eventually by the intervention of Mr. O'Mara, the Mayor of Limerick, a compromise was reached.

The next sign came from Cork, where a large meeting addressed by Mr. Collins on March 12 was attended by disturbances and threatened, though not stampeded, by revolver shots from young Republicans. Every week now improved upon this first half-hearted attack on free speech. Sporadic violence at Cork became, in quick crescendo, organised obstruction and finally armed defiance of the right to make or to hear speeches on the Treaty's behalf.

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Appeals from Press and platform were now showering upon Mr. de Valera to dissociate himself from the indefensible tactics of his presumed supporters. The ex-President of the free Republic preserved a silence which did more honour to his discretion than to his Republicanism. He allowed, however, some indications of his way of thinking to appear in a speech at Thurles on March 17, St. Patrick's Day.

Up to the present, he urged, when Irishmen fought for independence it was against a foreign Government and foreign soldiers, but if they had to fight for it now it would not be over the dead bodies of foreign soldiers, but over the bodies of their own countrymen, and they would have to wade through the blood of the soldiers of the Irish Government, and perhaps through that of some of the members of the Irish Government, to get their freedom.

Plainly Mr. de Valera's silence on the subject of the events reported daily, if it did not give support, gave consent to the gunman policy. If it might be necessary in the future to wade through the blood of Irish soldiers and Irish members of a Government set up and maintained by a majority of Irishmen, would it not also be justified and expedient in the present to begin with the soldiers and members of a Government that had yet to be confirmed in power by the Irish electorate ?

Even in a country as thoroughly enured to the language of force as Ireland, these virtual incitements to civil war chilled the blood and stopped the heart for a moment. A hitherto indistinct contingency was taking actual shape before the eye. On the simple position described in the speeches from which we quote it might have been sufficient for Mr. de Valera to base himself. They justified revolution in any case against a decision favourable to the Treaty, so long as Great Britain declined to accept the Republic in advance. But a subsidiary argument had been strung to the Republican bow. In correspondence with Mr. Griffith in the early part of March, Mr. de Valera challenged the

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validity of the parliamentary register and demanded its revision before the elections. Mr. Griffith replied that the Dail administration, under Mr. de Valera's presidency, had, four months previously, reported on the register as satisfactory; that a new register, as experience showed, could not be prepared in much under six months; that he was not prepared to delay the people's decision for more than the three months already agreed upon at the Ard-Fheis; and that the first election after the establishment of the Free State would be based upon a new register and adult suffrage. An acrimonious correspondence carried the question no further, and closed. Mr. Griffith had shown that there did exist a point beyond which his Government could not be pushed. The Republicans had brandished the stick with which the elections could most plausibly be beaten.

By this time the political colour was fast fading out of the whole controversy. A third figure was already in the wings and preparing to dispute with Mr. de Valera himself his right to speak for the nation. Mr. de Valera and his political associates had balanced themselves uneasily between democracy and dictation. What the advocates of the Treaty and the General Elections had now to face was a frankly military opposition with both feet firmly and defiantly planted "on the rock of the Republic."

A powerful movement in the army, headed by Mr. Roderick O'Connor, Director of Engineering in the I.R.A., now declared its intention of throwing off its allegiance to the Dail and reverting to the former status of independence as Volunteers on the plea that the action of the Dail, in voting to disestablish the Republic, had absolved the army from its oath.

An Army Convention met in Dublin on March 26 in spite of the ban of the Dail Cabinet. It was attended by 217 officers. After the meeting a short statement was issued announcing that an Executive Council had been elected to control the army, repudiating the authority of

## The Brink of Civil War

the Minister of Defence and his Chief of Staff, and ordering the cessation of recruiting for the regular forces and the Civic Guard then being formed under the Provisional Government.

The *Freeman's Journal* expanded this account of the proceedings with some interesting details circulated in an official report from the headquarters staff loyal to the Dail. It appeared that the meeting had discussed in the most cynical fashion the best means of introducing a dictatorship, the suppression of the elections, and the prospects of civil war. It was decided, according to this account, that "if the Executive considered fit, they could suppress the elections." The re-imposition of the Belfast boycott was also agreed upon.\*

Unless Ireland is now saved by what can only be a miracle of conciliation, March 26 must be set down as one of the grimmest dates in her history. For Mr. O'Connor and his following the Republic has an indefeasible right to exist irrespective of the people. The Republic is his religion and compromise is sin. If the people are in heresy, they must be converted, by force if necessary. The trial of argument has yielded to a trial of strength.

### III. THE BRINK OF CIVIL WAR

THE state of order in many districts was now deteriorating rapidly. From various parts came reports in increasing number of sporadic attacks on barracks and posts held by the majority forces, with the loss of casualties or prisoners to one side or the other, ambushes, shooting affrays and kidnapping.

With the ground growing more and more treacherous

\* It was claimed for the Convention that 80 per cent. of the army was with it. This was certainly an over-statement. In a circumstantial survey published some weeks later the official command estimated that it had obedience from 75 per cent. of twelve divisions and from between 30 and 50 per cent. of the remaining four. We can give no opinion as to the accuracy of these figures, though they are certainly nearer the truth.

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under its feet public opinion in Ireland grew increasingly restive and anxious. Trade was stagnant and unemployment growing. The prospect of reaching finality through a General Election was dimmer than ever. Fears that Easter week would be celebrated by another Republican revolution were widespread. Strong action by Mr. Griffith's Government meant the certain precipitation of bloodshed and their reluctance to force the issue had reason behind it. Yet a Government whose inactivity could equally pass for lack of power or plan gave public opinion no rallying point. Towards the whole position the public attitude was now one of growing indignation and disgust. Its political representation being for the time in abeyance, it turned more and more to the hope of some neutral intervention.

For some time influential attempts had been on foot to secure a meeting of the leaders to consider the question of a truce. These culminated, on April 13, in a conference convened by the Catholic Archbishop of Dublin and the Lord Mayor. In addition to Messrs. de Valera, Griffith, Collins and Brugha, the Conference was also attended by Mr. O'Mara, the respected Mayor of Limerick. The first meeting reached no agreement and adjourned till the following week.

Mr. O'Connor made the position clearer but not more hopeful the following day by explaining to an interviewer that he had nothing to do with any political party and declaring himself unconcerned in the issue of the Conference. A few hours later his independence became more explicit. In the early morning of April 15, a body of armed irregulars under his orders seized the Four Courts in Dublin—the Law Courts and Record Office of Southern Ireland—and put them in a state of defence with the intention of holding them as the permanent headquarters of the Army Executive. Simultaneously an even more serious challenge to the Government came from the provinces. A meeting to be addressed at Sligo by Mr.



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Griffith on April 16 was "proclaimed" by the irregular forces which held the town. The challenge was promptly taken up. Mr. Griffith declined to give way. A strong detachment of loyal troops was drafted into Sligo. Firmness carried the day and the meeting was held without disturbance. On the evening of the same day Mr. Collins returning from a meeting in the country became involved in a street skirmish in Dublin and disarmed and captured one of his assailants.

Mr. Griffith's Sligo meeting was a severe moral defeat for the military party. The conspicuous courage of both men in their several ways that day gave an impetus to the movement of independent opinion in the country. At their Easter conferences in the capital, the national organisations of the ratepayers, farmers, tenant farmers, and teachers, without expressing an opinion on the merits of the Treaty, joined in the indictment of militarism. The ratepayers took a further step in arranging for an all-Ireland demonstration in Dublin on May 14 calling upon Dail Eireann to assert its authority. Labour gave powerful support to the campaign of protest. April 24 was made a day of silent and impressive warning by a general strike which completely paralysed the normal activities of the 26 counties.

The resurgence of public opinion and the attitude of organised Labour are two facts not to be set aside. Irish Labour is a well-disciplined organisation, containing over 300,000 members, under the shrewd leadership of Mr. Thomas Johnson. A substantial element professes Communist doctrines. But it is realist in its politics. The struggle between Sinn Fein and the British Government neutralised its power in domestic questions. Labour was called upon by Sinn Fein, if not to assist, to stand aside and defer its special interests to the interests of the national movement. Labour has not been free to bargain for the standards of life which the British working-class has secured. It has arrears to make up. Partly it looks to the

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Treaty as a means of obtaining government under settled conditions in which it can operate freely. Partly it realises that the working-class, as much as any class, stands to lose under military rule. It was not with enthusiasm that it left its liberty in the temporary keeping of Sinn Fein. It is not at all likely to surrender it to the mutiny.

After the Conference had held another abortive meeting on April 20, there was a general expectation that Labour would be added to its membership. Three of the Labour leaders attended the meeting of April 26. This, too, failed of agreement. Labour was active in mediation in the days that followed. But the gulf between the parties, widened now by personal feeling and the growing acrimony of the whole controversy, was beyond bridging. When the Conference rose on April 29, Ireland learnt without surprise, though with deepening apprehension, that "no useful purpose could be served by prolonging its sittings."

The resources of conciliation had been exhausted. In the course of the Conference the Republicans had rejected all proposals for a plebiscite or a general election. Mr. Griffith and Mr. Collins had gone the length of waiving the question of the register. Even the offer of a plebiscite *en masse* failed to draw Mr. de Valera towards compromise.

The Dail Government then announced their determination to go forward with the elections. No other decision was possible even though it entailed for Ireland a fresh plunge into confusion and bloodshed that, in some districts—in Dublin, Cork and the South-West almost certainly—cannot fall far short of civil war. How far the decision can be made effective will still depend, at least as much upon the people's willingness to take risks for the vote, as the protection which the forces at the Government's disposal can afford.

The only remaining power in Ireland in any degree capable of exerting itself as an independent check to the conflict which is imminent is the Church. Great as its influence is, the Church has not escaped injury in the

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general decay of moral discipline that the past three years have seen. Warfare by assassination was a defiance of the Church's teaching. If here and there it was openly condoned, the authority of the Church could not but suffer the more.

It is hardly necessary to record that in so clear an issue as the present the hierarchy has thrown its whole weight on the side of civil peace. In a manifesto issued by the Bishops in conclave at Maynooth in the last week of the Dublin Conference, the Church gave its final counsel to its people :—

Like the great bulk of the nation (it stated) we think that the best and wisest course for Ireland is to accept the Treaty and make the most of the freedom it undoubtedly brings us—freedom for the first time in 700 years.

And it urged again “that the use of the revolver must cease and the elections, the national expression of self-determination, be allowed to be held, free from all violence.”

In the same week violence took a form even more alarming than that contemplated in the Bishops' manifesto. On successive days nine Protestants were murdered in different parts of County Cork. It was evidently the work of a gang working on a coldly deliberate plan. The motive was questioned but could hardly be other than that of revenge for the death of Catholics in Belfast. Southern Ireland boasts with justice that it has been remarkably free from the purely sectarian hatreds that have come to characterise Belfast. From all parties and from the Press the ghastly news from Cork drew united protest and denunciation. The hands that did this terrible work threaten Irish civilisation much more gravely even than the rifles of Mr. O'Connor. At the same time, it is a fresh and sinister revelation of passions and practices that his campaign may yet release, and it is a footnote to the story of the mutiny that might mean much in another chapter.

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## IV. ULSTER AND THE BORDER STRIFE

THE Cork incidents recorded above are a crude and grim example of the inevitable interaction between Northern and Southern conditions. Nothing has been more certainly established by the past six months than that, while partition, in any strict form, lasts, the Irish problem will remain unsolved. That is not a criticism of the so-called partition policy which framed the 1920 Act and set up an Ulster Government. Far from it. The aim of the British Government was not partition for partition's sake. It was and is partition for unity's sake. Nothing yet has happened to invalidate the belief inspiring that policy, that "the longest way round is the shortest way home"; that a Dublin Government is no more capable of unifying Ireland than was the British Government; and that, fixed severally with responsibility for their areas, the two majorities in Ireland must face the necessity of coming peaceably to terms. It would be impossible to claim that either party, certainly not the South, had yet accepted fully the logic of this position. But in Ulster no responsible person indulges or pretends to indulge any longer in the luxury of indifference to Southern conditions. The true partitionists of to-day are the extreme English Unionists of yesterday. For them the only hope is a sea-wall surrounding the Ulster island against which the waves of outer barbarism will dash in vain. For them Ireland is two peoples. That may be arguable. But the period through which Ireland is passing would sufficiently prove it, if proof were needed, one country.

The friction between North and South, at least in its present phase, dates from the Treaty itself. The Treaty provided that from the date of ratification—afterwards decided as the date on which the Imperial Parliament should ratify the Free State constitution—Ulster should come

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within the orbit, though not under the jurisdiction of the Free State Government. Within one month from that date Ulster was to choose between the jurisdiction of Great Britain and entry into the Irish Free State upon terms to be arranged directly between North and South. Should Ulster elect to remain with Great Britain, a Boundary commission, consisting of a Northern and a Southern representative and a British chairman, was to delimit the frontier "in accordance with the wishes of the inhabitants, so far as may be compatible with economic and geographic conditions."

These provisions of the Treaty roused strong feeling in Ulster. Ulster was not a party to the Treaty and had not been consulted. Had Sir James Craig been consulted the Treaty would have been strengthened in its weakest part. Now the boundary question had been postponed, if not aggravated, by a formula which, as all Europe knows, is capable of bearing contradictory interpretations of equal weight. Against that it was argued that, had the Treaty not been signed at the time and in the form in which it was signed, there would have been no Treaty. Ulster herself had prescribed the time limit to the Treaty negotiations which had forced the negotiators' hands.

In a strong letter to the Prime Minister Sir James Craig protested against the "automatic inclusion" of Ulster in the Free State and reserved his right to dissent from the Boundary Commission. Meanwhile, in the Southern fringe of the six counties various local authorities had decided to ignore Belfast and to recognise the authority of Dublin. The Ulster Government promptly took powers for direct administration in the defaulting districts. Undoubtedly Sinn Fein in the six counties had been emboldened by the hopes it read into the Treaty to challenge the Northern Government. The tension in Belfast was extreme. Towards the end of December and in the early part of January there were outbreaks of shooting and disorder in the warren of mean streets which comprise

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the industrial quarter of Belfast. A description sent to his paper about this time by a special correspondent of *The Times* gives an illustration of the nature of this disorder and the extraordinary difficulty of coping with it which is worth holding in mind:—

The shooting is inflicted almost wholly by snipers from well-covered positions. As often as not the victim is an accidental one. Shots are fired from behind chimney stacks on the tops of the low rows of houses in the poorer districts or through holes in the roofs of cottages made by removing slates, and all that the police and soldiers have to guide their counter fire is the momentary flash as a shot rings out. Raids by the police on houses in search of arms are dangerous and have proved of little effect, for whole rows of houses are burrowed through by breaches of the internal walls. I was taken to such a street in a particularly notorious part of the town this forenoon. All the houses in the row are tenanted by people of the same sympathies, and if the police were to enter any one house in the row no revolver, gun, or ammunition could be discovered there, and no charge, therefore, could be laid against any one tenant. Short of surrounding a whole block, and then ransacking every dwelling, the police could not hope to get on the track of a particular sniper. The man and his weapon would always be separated by several dwellings.

In addition to the shooting, which during the week-end caused a partial suspension of the tramway service, waylayings, kickings, and other forms of violent assault and robbery go on regularly and pass almost unnoticed. The victims are often unknown to the assailants, except that the confession of belonging to the one or the other faction is in some cases first extorted by a knot of ill-doers closing round a suspected intruder of the opposite faction. Naturally, in the circumstances there are plenty of ordinary criminals, not professing any religious or political passion, who are ready to take advantage of the prevalence of an atmosphere of rancour and conflict for the simple purpose of theft.

On January 21 Sir James Craig and Mr. Collins met in London. The result of a conversation of two hours was an agreement which caused surprise and delight on either side of the St. George's Channel. The two leaders agreed to dispense with a British chairman for the Boundary Commission and to improve on the machinery of the Council of Ireland. Mr. Collins undertook to raise the boycott of

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Ulster, Sir James Craig to secure the reinstatement of Catholic workmen as trade improved. Both Governments were to co-operate for an all-Ireland settlement of railway troubles. The agreement seemed to justify the highest hopes that the Treaty had raised.

Optimism, however, had a short run. Sinn Fein delegations from Ulster were coming South with their troubles at this time to the Dublin Government. Feeling in the South is readily stirred by accounts of "Belfast pogroms" and the plight of the Northern Catholics was a weapon which the pro-Treaty party in the South had particularly to fear in the hands of their opponents.

On February 2 at a further meeting of the two leaders in Dublin negotiations broke down completely. An agreed statement attributed their failure to "the Irish delegation's agreement with the British Government that large territories were involved" under the award of a Boundary Commission, while Sir James Craig had been "given privately to understand" the contrary. The British Government denied completely that anything had been said to justify Mr. Collins' statement or to prejudge the work of the Commission. It stood by the terms of reference in the Treaty. In point of fact, Mr. Lloyd George had made it clear in Parliament that he himself had in mind only a boundary rectification which might even increase the Ulster area. Subsequently Mr. Collins explained to the Press that under the Treaty plan "we secure immense anti-partition areas" and, in language that Ulster could interpret as a threat, that a united Ireland was necessary for peace. It was also hinted in the Press that measures to dislocate the machinery of government in the North might be resorted to.

On the border itself the reaction to the deadlock and, perhaps, to the tone in which official and semi-official voices had spoken in Dublin, was rapid. In the early hours of February 8 armed Sinn Fein forces broke across the southwestern frontier in a number of places and carried off a

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number of prominent Unionists from Fermanagh and Tyrone. There were further raids in Fermanagh the following night. Dublin explained them as retaliation for the retention of three Sinn Feiners under sentence of death in Derry gaol, news of whose reprieve had not reached the raiders. Ulster mobilised the special constables of Tyrone and Fermanagh and prepared the defence of her frontier. In Parliament the British Government was strongly pressed to intervene. Either party in Ireland appealed to it to control the other. Feeling was raised to fever pitch by an affray at Clones station on February 12, the origin of which is still disputed. A party of special constables travelling on duty were compelled, by reason of the railway route, to cross a strip of Southern territory, and came in conflict with a company of I.R.A. Four of the constables were killed and eight wounded. An I.R.A. officer was killed.

Belfast completed the vicious circle. The storm broke during the week-end February 11-13, sparing neither women nor children. In five days there were 100 casualties, more than thirty of which were deaths. The curfew was reimposed and a proclamation requiring the surrender of firearms issued. Despite the efforts of the Government and appeals for restraint, the Belfast vendetta continued, with few interruptions, daily during the rest of February and March.

The Ulster Government took further steps during March to regain control of disorder. Sir James Craig announced that he had invited Field-Marshal Sir Henry Wilson, who had just retired from his post as Chief of the Imperial General Staff and was about to take up the parliamentary representation of North Down, to frame plans for the restoration of order and that up to £2,000,000 would be set aside for this purpose. St. Mary's Hall, the Catholic headquarters in Belfast and centre of the Catholic relief administration, was seized by police. A Bill giving the Government special powers to deal with violence and



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prescribing special penalties, including flogging, was passed quickly through the Ulster Parliament.

Border incidents continued with raids and acts of aggression from the Southern side. The Ulster Cabinet announced on March 15 that it had ordered the constabulary to refuse to continue the frontier liaison arrangements which had been instituted shortly before in agreement with the South, or to recognise the I.R.A. It was "at war with the I.R.A." At the same time Ulster remained strictly on the defensive. Sniping by the Southern forces along parts of the border was not replied to.

In Belfast in the early hours of March 24 the hideous turmoil reached its climax of infamy. A gang of armed men broke into the house of a quiet Catholic family called Macmahon, dragged the father and five sons from their beds, together with a male employee, and shot them in cold blood. A boy of six only escaped by hiding. According to the deathbed statement of one of the victims, some of the gang wore the uniform of the Special Constabulary. It is a story which could not have been credited a few years ago of any English-speaking city. The reproach to Belfast increased the determination of decent citizens to clear the name of their community. From the South it brought an appeal from the Sinn Fein organisations for action against the North, denunciations from Southern Protestants, and reminders in the Press that it was still the British Government which financed the Northern Constabulary.

Matters had reached this pitch when, on the same day, the British Government invited Mr. Collins and Sir James Craig to a fresh conference in London. It met on March 29 and at its sitting on the following day a fresh agreement was reached between Ulster and the South. In this new pact Ulster made a series of important concessions to the Catholic minority. Special arrangements were agreed to under which, in mixed districts, half of the special police should be Catholics and an advisory committee was provided for to select Catholic recruits for the force ; a special court

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was to be set up to try, without jury, cases of serious crime, and a committee, consisting of Protestants and Catholics in equal numbers, to investigate complaints of intimidation or outrage ; I.R.A. activities were to cease in the six counties ; in the month during which Ulster is to exercise her option under the Treaty, the two leaders agreed to meet again and discuss the question of Irish unity or, failing that, the means of settling the boundary dispute without recourse to a Commission ; and the Northern signatories agreed to use every effort to secure the reinstatement of the expelled workers. For relief works in Belfast the British Government contributed £500,000, one-third to be spent for the benefit of Catholics and two-thirds for the benefit of Protestants. The two Governments further undertook to discuss the release of political prisoners, and concluded their agreement with an appeal for restraint in the interests of peace.

The first article of this engagement runs, " Peace is to-day declared." They were words heard with relief in both countries. But a too sanguine acceptance of their face value was not to be expected. The fate of the first agreement was too recent, the actual spectacle of Southern disunion too plain. In Parliament Mr. Devlin gave the document his blessing. The Ulster Government lost no time in giving it legislative effect. The whole business community of Belfast rallied to its support and an " Ulster Association for Peace with Honour " was founded to further its purpose. The Churches of Ulster backed it with a united appeal for peace.

In the South, however, an unauthorised and damaging boycott was already in full swing. Trains from the North were held up and Belfast goods taken out and burned. The Republican ban was even extended to pictures by Northerners in the Hibernian Academy. Masonic halls in various places were seized or burned. Mr. de Valera poured lofty and patriotic scorn upon " that blessed pact."

The Border became quieter. The agreement was

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followed by further ambushes and attacks on Specials. Later the Government seemed to regain control of the Northern forces. Along part of the Fermanagh "front" Northern and Southern officers agreed upon an armistice and withdrawal from contact.

In April, however, directly after the Pact, the deadly and sickening strife of the Belfast underworld flamed up again. Even while the new experiments—for Belfast, novel experiments—in conciliation were on foot, the sniper, bomber and gunman continued to take their furtive toll of life. The efforts of the police still failed to bring murderers to justice. One of the worst episodes of the month was the bombing of the congregation assembling at St. Matthew's Catholic Church on April 24. On the same day three Catholic children were wounded by snipers and a blind Protestant shot dead in his house. Lord Justice Moore, addressing the Grand Jury in Belfast on April 26, stated that since February there had been 97 murders and 59 acts of attempted murder in the city. On the authority of the Commissioner of Police he declared that those engaged in these outrages numbered less than 1,000 in a population of nearly 400,000. The Belfast Catholics appealed to Mr. Churchill. The Irish hierarchy on April 26 issued from Maynooth a statement renewing the indictment of Belfast and prescribed a day of intercession for peace. On the following day five Protestants were murdered in Cork.

The thousand miscreants of Belfast were holding up not only their own city, but all Ireland. In this poisonous atmosphere of sectarian embitterment the endeavours of Sir James Craig's Government to fulfil its pledges could not keep co-operation with Dublin alive. On April 21 the Southern Government telegraphed its refusal to proceed with the joint Railway Commission. Mr. Collins in another telegram declared that further progress under the agreement was impossible. Sir James Craig defended himself in a conciliatory note. Mr. Collins sent a somewhat heated reply maintaining his points. The issues

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raised are not incapable of settlement : they chiefly concern the release of political prisoners and the work of the Conciliation Committee. What is lacking is a spirit of mutual confidence to give the agreement real life. It is still the supreme interest of both parties to make again the effort which has twice been made and has twice failed. The one hope in the meantime is that the Northern Government will have the forbearance and sagacity to carry through in its own area all it can single-handed of the programme of appeasement.

We have seen the identical but opposite halves of the vice in which Ireland is gripped. The main stimulus to the Belfast slaughter is to be found in hostilities from the South. The main cause for hostilities from the South is the Belfast slaughter. But Mr. de Valera, Mr. Rory O'Connor, and the like have other reasons for encouraging hostilities. They are an integral part of the Republican campaign against both partition and the Provisional Government. Mr. Collins evidently does not consider himself strong enough in face of his Southern antagonists to grant an ungrudging recognition of the reality of the Ulster state. Until he does, the sore in Belfast will not truly heal. Sometimes it has seemed that Mr. Collins himself leans rather to the compulsion than the conciliation of Ulster. It has seemed that his own mind is not clear on the fundamental choice for the South between the separatist ideal and the unity of Ireland. North and South have still to learn that more can be got or saved by agreement than will ever be got or saved by force. But the history of the two pacts suggests that Ulster has been learning the lesson more quickly. No one who has followed the speeches of Sir James Craig can fail to be impressed by his genuine detestation of violent crime in whatever name pursued, and his conciliatory perseverance.

The picture would be incomplete and unfair if we omitted the fact that Ulster contains a strong element of extremism exactly counterbalancing the extremism of the

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South. There are Ulstermen, not a few, in whom it is impossible to distinguish the expectation from the hope that the Treaty will fail and the South founder in chaos. Their dearest wish and their confident prophecies would be equally satisfied on the day which saw the British Government re-committed to the government of Ireland. After seven centuries of failure their remedy for disorder and disaffection is still that of British bayonets. This group has now a powerful representative in Sir Henry Wilson. He draws, perhaps from his Irish origin, a life-long conviction in the all-round utility of force, and it has been well seasoned by his military training and his distinguished military experience. As Chief of Staff he has surveyed the weaknesses of the Empire and he has confessed himself conscious of a mission in Ulster to save "our rocking Empire" by methods which the Imperial Government has, in his opinion, foolishly if not criminally, deserted in Egypt and India. His influence is seen in the presence of a "military adviser" at the elbow of the Ulster Government, and in the stress which is laid upon the perfecting of its quasi-military defences.

The business community of Belfast, however, holds more moderate and more practical views. These are represented and fortunately tend to dominate in the Northern Government. The boycott, armaments and a state of insecurity amounting almost to civil war are equally injurious and repugnant to the business man.

The gravest consideration affecting Ulster remains. In Belfast there have been faction fights often, riots sometimes, but never before disturbances of the nature or on the scale which have disgraced its name before the world in the present year. A year ago it was recorded in the pages of this review that Ulster still recognised, what the rest of Ireland had ceased to recognise, the distinction between battle and murder. That can no longer be said. The evil contagion has gripped Belfast more desperately than any place in Ireland. It almost seems as though murder were

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now endemic in the city, claiming as its deliberate victims not only men and women, but children and even infants in arms. The traditions which have been torn down recklessly and callously cannot be quickly or easily re-erected. It will need the patience and wisdom of a generation to make good what has been lost. Until then the malign habit which has been formed will dog the repute and security of Belfast and, through it, of all Ulster. In eight years the wheel has come full circle.

### V. THE RÔLE OF GREAT BRITAIN

THE account of the foregoing pages has indicated the general attitude of the British Government towards the Irish problem in this time of transition. So far the British Government has successfully kept to the narrow path marked out for it between fear in Ulster and suspicion in the South. Without re-entering the Irish ring it has continually to allay the one without exciting the other. What one demands of it the other warns it against. If either rose to the extreme pitch of action the Treaty and the project of a new Ireland would be in danger of destruction.

The first condition for the success of the Treaty, in view of the tragic history of Anglo-Irish engagements, was its rigorous and scrupulous execution on the British side. It has been and is being carried out to the letter. Parliament has passed the Free State Act, confirming the agreement. Amendments, whether of friendly or unfriendly intention, whether to amplify, restrict, or interpret the original instrument of peace, have been consistently withstood and rejected. The protests of the English Die-hards have been as unavailing as the comminatory and satirical vehemence of Lord Carson.

The success of the policy is not yet secure, but its first-fruits are beginning to show. Almost for the first time in

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Ireland British good faith is beginning to be taken for granted. Even the Republicans cannot call the intentions of the Government in question. "England the enemy" has begun to disappear quietly and unobtrusively from the Press and the platform. The lifting of British control and the withdrawal of British troops have begun the release of Southern Ireland from the artificial unanimity imposed upon it by a historical antagonism. There have been, in fact, and there will be attempts to regain the unanimity by reviving the antagonism. It is a sign of the change.

Even with the support of a great parliamentary majority and a corresponding majority—for this purpose—of opinion in the country, the British Government's task has not been easy and at times it has been thankless. It could devolve responsibility upon the Provisional Government, but not authority. This nothing but Ireland itself can confer. In this situation the British Government has had to stand aloof while irresponsible subjects of the Provisional Government emphasised their independence of it by outrages against things and persons of British concern. The seizure of a British ship and British munitions, the kidnapping of a British officer, the shooting of a British soldier, the murder of a discharged member of the R.I.C.—all are cases in point. In every case the Government has been right to insist upon the responsibility of the Provisional Government for bringing the criminals to justice, however slight the confidence in its present power to do so. But such instances have given the Die-hards, owing no obligations to the Treaty, an easy task in making the Government's unswerving adherence to its policy appear as the tolerance of crime.

The ill-feeling between North and South imposes a special strain upon British neutrality. Great Britain is pledged to secure Ulster against coercion. It is her duty in the last resort to defend the Ulster border. It is also in the interest of her Irish policy that she should not be compelled to intervene. The Provisional Government is

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similarly pledged, but could not, at present, give an absolute guarantee that its forces in the North will in all circumstances and in face of any provocation obey its orders. At the same time it is the British Government which supplies the rifles on either side of the border. It is a position which might at any moment test the judgment of the British Cabinet in the highest degree. From Ulster it calls for the continued and increasing exercise of patience and restraint and a willingness, in spite of all, to meet the South upon any matter on which it reasonably can be met.

Ulster's representatives were not a party to the Treaty. It has had from Ulster neither consent nor approval. It is within the power of Ulster, if she wished, to take action that would wreck the settlement. She could build upon the present conditions in Ireland and upon the requirements of her defence a formidable justification for such action. It would throw the Irish question back into British politics in a confusing form, but, were opinion in Great Britain brought to the test again, Ulster could still no doubt rely upon the support of a powerful minority. To an Ulster mind the temptation will often be strong to focus itself upon what appears as the local interest, to decline all share in a responsibility which it has not accepted, to cut its Gordian knot, and to base itself again, as in 1914, simply upon an armed negation.

We need not argue here whether or not Ulster interests would be truly served by such a course. The position is that with the strong approval of the whole Commonwealth, Great Britain stands committed to the Treaty. The high stake of the Treaty is peace with and in Ireland, with all that that means to the unity of the Commonwealth and its standing in the world. In that stake Ulster is interested in common with every other community that claims to put the interests of the Commonwealth first. But the venture challenges Ulster peculiarly. It calls for a difficult sacrifice, a sacrifice of opinion upon a matter affecting her security. It requires her to see the Treaty as the Commonwealth



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sees it and to give it some confidence as an instrument of conciliation in Southern Ireland. If Sir James Craig proves himself in the coming months the leader of Imperial vision that we have already reason to think him, Ulster will not refuse in the most crucial stage of the Treaty policy, in which the question of Irish unity or the boundary question will fall to be decided, to take some risks for a plan which is not her own. The fact that from his most stalwart supporters Sir James Craig might have to face charges of weakness and even of betrayal will not make the coming test any less a trial of statesmanship.

For the rest, Great Britain has sown the seed at last with a sure hand in a straight furrow and must abide the harvest. The limit of her power to help it is to avoid short-cuts that will trample the growth. It is Nature's provision that the young shoot bears the worst of the weather. There are storms in Ireland to threaten the yield. Their gathering is seen with anxious eyes. But good husbandry knows the seasoning virtue of the wind and the clouds and will not yet give way to despondency.

## THE COMMUNIST EXPERIMENT IN RUSSIA

*People are asking to-day whether the Bolsheviks can be trusted to carry out their part in any agreement that may be concluded with them at Genoa. The horrors and catastrophes which justify such doubts are not dealt with in the following article, but the writer, who has first-hand knowledge of conditions in Soviet Russia, gives some economic reasons which may compel its Government to return to the principles of private property and the sanctity of contract.*

AN attempt is being made at Genoa to build a bridge across the gulf separating Russia from Western Europe, which until now has been spanned only by a few trade agreements (*e.g.*, the agreements between Soviet Russia and Great Britain, Germany and Norway), some of which are definitely of a provisional character, pending a final European settlement of the Russian question. The actual task of bridge-building is not easy ; some are doubtful as to whether it is possible. Even those who consider that some bridge of a permanent character which would stand heavy traffic should be built are at variance as to the best design. But however interesting it may be as a political study to examine the various plans proposed and the conflicts of opinion which arise, such an examination does not go to the heart of the matter. No doubt great technical difficulties have to be overcome before a bridge is built, but the usefulness of the completed structure depends not on these, but

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on the volume of traffic which passes over it. Much is being written regarding Europe's need of Russia and Russia's need of Europe. In the present article attention will be concentrated on conditions in Russia, and in particular on economic conditions.

Accounts given of the state of affairs in that country differ profoundly, yet in one particular all agree. The "will to power" of those who now constitute the Soviet Government is the one relatively stable fact which the student of political and economic conditions in Russia must take as his starting-point. It is useless to argue at length as to the sincerity or otherwise of the Bolshevik leaders when they preach the gospel of Communism. What is really essential is that they are not prepared to hand over control to any other body, grouping or party, and that their every action is inspired by a firm determination to retain their seat in the saddle. Their policy is in consequence marked by extreme adaptability.

This adaptability is well shown in Soviet foreign policy. Russian money spent on propaganda in the East has been spent in support of nationalist movements which have no ideological connection with Communism and which are indeed definitely anti-communist. But from the point of view of the Soviet Government these nationalist movements have constituted a weapon which could be effectively used in the struggle with capitalist Europe.

Or if we turn to Russian policy\* in Europe we see the same opportunist methods—methods which led certain representatives of Western European Communist parties to complain at the congress of the 3rd International at Moscow last summer that international Communist policy was being toned down in order to avoid a clash with the interests of the Russian Soviet Government.

\* The word "Russia" will, for shortness, in the present article be taken as applying to "Soviet Russia," including all allied republics such as the Ukraine, Azerbaijan, the Soviet Governments of which are entirely dominated by Moscow, whatever nationalist or separatist sentiments may be harboured by the population.

## The Communist Experiment in Russia

This pliability or adaptability of the Soviet Government adds greatly to the difficulty of the task confronting investigators of Russian conditions. There is but one political party in Russia—the Communist party. Expression of political opinions in opposition to the prevailing régime is severely dealt with. Elections to Soviets and Congresses of Soviets are carefully arranged, so that Zinoviev, for example, was able to declare before the Petrograd elections last autumn the precise percentage of non-party men (chiefly, be it noted, nominated by Communist party organisations) who would be returned to the new Soviet. As, however, the policy of the Soviet Government is one of adaptability *par excellence* it is difficult for an investigator to ascertain the precise truth lying behind any official statement regarding conditions in Soviet Russia. There can be no check in the shape of the views of the Opposition, since that Opposition is not allowed to find expression, while at the same time the official “Bolshevik” account will vary in accordance with the needs of the moment.

There is, however, this corresponding advantage, that once it has been ascertained that conditions in Russia are developing in a certain direction it is safe to say that no doctrinaire obstinacy on the part of the Government will prevent a corresponding modification of policy. This is of considerable importance for those business men who study the trend of events in Russia with a view to the possibility of investing capital there.

### I. ECONOMIC CONDITIONS IN SOVIET RUSSIA

THE course of economic development in Russia since 1917 forms a fascinating study and will, it is to be hoped, some day find a fitting historian. We are, however, particularly interested in Russia as she is now, and shall confine ourselves to taking such account of the past as may be necessary to explain the present. In the first place,

## Economic Conditions in Soviet Russia

there are certain facts regarding the economic structure of Russia which it is essential to bear in mind throughout.

I. It cannot be too often repeated that Russia is a country of peasants. The "settled" town population is comparatively small. In normal times the long, severe winter, involving the stoppage of all agricultural work, sets free a large surplus of labour, which found its way to the towns and factories only to flood back to the country for the field work of the summer. The link between town and country was thus peculiarly strong and constantly renewed. The industrialism of Russia, rapid as her economic development has been in the few years immediately preceding the war, had not yet produced a large class of proletarians pure and simple, of workers whose only source of income was the sale of their labour power. Such workers did indeed exist, but in relatively small numbers. Figures are proverbially dangerous, and Russian statistics are more than usually unreliable, but their evidence on seasonal fluctuations in the number of industrial workers—*e.g.*, of coal miners in the Donets basin—merely confirms what all employers of labour in Russia could attest from personal experience.

II. Russian industry depended almost entirely on the home market. There was no industrial export, and consequently no reserve from which shrinkage of production could be met without affecting home consumption. In a predominantly agricultural country this meant dependence on the harvests. It used to be said that if the harvests were bad and the peasant could not afford to buy a shirt there was an industrial crisis; if it were specially good, the purchase of two shirts meant an industrial boom.

III. The geographical structure of Russia is such that food and raw materials are mainly produced at the periphery, whereas the processes of manufacture take place in the central districts. In other words, central Russia received food and raw materials from the periphery, giving manufactures in exchange. The machinery imported from

## The Communist Experiment in Russia

abroad for Russian industry was paid for by exports of raw material and food.

The inevitable effect of the civil war which raged from 1917-20 was to set up a barrier between the centre and the periphery. This, in turn, meant a shortage of supplies of raw materials and food in Central Russia, a shortage of manufactures in the outlying parts of the country. This internal blockade of Russia was of far more importance than the so-called "Allies' blockade"; especially if one bears in mind that Russia as a whole had in fact been blockaded since 1914, the only supplies received, and these by inconvenient routes involving a great strain upon transport, having consisted of munitions of war. The conditions of distress which prevailed in Central Russia in 1917-20 must therefore in justice be ascribed in part to the effects of the civil war and not specifically to the actions of the Soviet Government.

### II. THE SINGLE ECONOMIC PLAN

WITH this necessary explanation let us now pass on to consider how the Bolsheviks dealt with the situation when they came into power in November, 1917. Their chief supporters were the proletariat workers of the towns, who, as has been pointed out, were relatively small in numbers. Some step had to be taken to ensure at least the neutrality of the peasant. This was done by nationalising the land, by, in point of fact, allowing the peasants to seize the landed estates which they had always considered should be theirs.

As regards industry, the policy of nationalisation was also adopted. It is disputed whether nationalisation was forced on the Bolsheviks or whether it took place according to plan. So far as our present purpose is concerned, it is sufficient to say that in gradual stages practically all industrial enterprises in Russia were nationalised.

## The Single Economic Plan

The nationalisation of banks, which were regarded as the main instrument of hated Capital, was one of the first acts of the Bolshevik Government.

As month succeeded month and year succeeded year the scheme of the Soviet Government took more definite shape. It is referred to by Russian writers as the policy of a "single economic plan." In other words, production, distribution, and consumption were to be nationalised, were all to be brought within the compass of the "State plan." There were many links in this chain. The peasant, working on State (*i.e.*, nationalised) land, must give up to the State all his produce except that quantity which the State estimates as sufficient for his needs. In turn the State will supply him with the industrial products he requires from the output of nationalised industry. The worker in a factory will receive food, housing accommodation, medical attendance and, in fact, everything he requires from the State. The factory will produce what the State decides it ought to produce, and will receive its supplies of raw materials, etc., from the State. The co-operative society under this scheme is no longer an independent organisation, but is simply a part of the State scheme of distribution; all the inhabitants of town X being *ipso facto* members of the "single co-operative" organisation X through which they receive supplies of necessities from the State.

Under such a system money loses much of its importance. Possession of "purchasing power" is no longer the criterion of comfort. Lenin once defined Communism (the final, as distinct from Socialism, the intermediate stage) as the state of society in which each receives according to his needs and gives according to his ability. It will be seen that the single economic plan tended in this direction.

It has been said above that there were many links in this chain of relationships. But in outline the plan was simple: the country—*i.e.*, the peasants working on nationalised land—should feed the town, the town—*i.e.*,

## The Communist Experiment in Russia

nationalised industry—should supply the country. Both sides of this equation proved to be miscalculations. The failure of the Communist experiment became evident in the winter of 1920–21.

The peasant had even during the war declined to sell his produce at low fixed prices. He now adopted the same policy, refusing to part with his grain except under compulsion. As the Bolsheviks required food at any cost to meet the requirements of the Red Army, of the workers in nationalised factories and of the general town population, drastic measures of compulsion were applied. Food detachments were formed—partly of Red Army soldiers, partly of workers from city factories—whose task it was to collect food and whose requisitions were often effected only after local battles. These measures, combined with the early attempt of the Soviet Government to sow dissension amongst the peasants by adopting as allies the “poorest peasantry” who had little land and themselves produced little, led to the peasants adopting the only possible line of defence—a reduction of the area sown to the minimum necessary for the maintenance of the peasants themselves. The acreage under crops steadily decreased.

### III. THE NEW ECONOMIC POLICY

THE Kronstadt rising early in 1921 opened the eyes of the Communist leaders to the political danger to which they were exposed. It was necessary at all costs to placate the peasants. The result was that following a congress of the Communist party, at which Lenin urged the necessity of a change of policy, there was passed in March, 1921, the famous decree abolishing the system of forcible requisitions, and introducing in its place the *prodnalog*, or food tax. Briefly stated, this decree enacted that after payment to the State of a certain tax in kind (calculated on the basis of the area under crops, and on



## The New Economic Policy

the number of "mouths" to be fed) the peasant should be free to dispose as he pleased of the remainder of his produce. This decree of March, 1921, marks the beginning of the so-called new economic policy, usually contracted to "NEP" (*novaya ekonomicheskaya politika*). Lenin termed the new policy one of State capitalism.

It is certain that even the Communist leaders did not recognise all the implications of the step they had taken. The new decree in fact dealt a deadly blow to the "single economic plan." The whole of that plan depended on the State being able to dispose as it pleased of all goods produced within Russia. During the policy of requisitioning the State had assumed responsibility for feeding no fewer than 35 million persons (in point of fact many of these received very little, but this point need not detain us). In order to make the *prodnalog* a real concession to the peasants it had to bear less heavily on them, and to be lower in amount than the requisitions. A surplus had to be left in the hands of the peasants. The question arose as to how this surplus could be extracted from the peasant and made available for the State. The solution proposed by the Communist Government was barter through the co-operative societies. The co-operative societies should be given goods from nationalised factories to be bartered against peasant produce. Here, however, a difficulty immediately arose. As has been explained above, the Communist Government had converted the formerly independent co-operative societies into a part of the State machinery of distribution. The organisation by which co-operative societies had in the past collected agricultural produce had been destroyed. Hence the co-operative societies were not ready to commence their task immediately. A further weakness in the plan soon became evident. The State factories were unable to produce large supplies of goods suitable for peasant use. Even when goods were received the new co-operative organisation proved clumsy, and was hopelessly hampered by artificial

## The Communist Experiment in Russia

“equivalents” at which alone barter transactions could be carried out. Small traders with supplies of goods obtained in some mysterious way (often illegal) began to pour into the country districts, and the peasants, finding that money once more meant purchasing power, began to sell for money. Soon, instead of a unified bartering apparatus, numerous competing buying organisations (individual workers, representatives of workers’ co-operatives which were now set up, representatives of central Government Departments) were carrying out the work of grain purchase. In other words, the introduction of the food tax involved the authorisation of free trading in grain and in goods suitable for peasant use. Let it be added, however, that the political effect of the measure justified the hopes based upon it. In spite of natural distrust of the *bona fides* of the Government, the peasants in general showed a tendency to increase the area under grain.

The gap in the old policy thus made was bound to widen. It became evident that the State would be unable to obtain food for the 35 million mouths for which it was responsible. This number had consequently to be reduced. The lists of nationalised enterprises were revised with a view to discovering which of them were least necessary to the State and worst situated as regards raw materials, transport and labour—*i.e.*, were most difficult to run. Such undertakings it was decided should be leased either to co-operative societies or associations of workers, or even to private persons. It is not perhaps surprising under the circumstances that the number of enterprises leased has been small. The preference shown for undertakings producing articles of food is also quite easily explained.

# The Trustification of State Industry

## IV. THE TRUSTIFICATION OF STATE INDUSTRY

THE policy of leasing undertakings had thus proved a practical failure, and did nothing to economise State resources. It became necessary to take further measures. In summer, 1921, the idea of "trustification" of State industry was brought forward. A State trust in Russia means something quite different from a trust in Western Europe or America. Stripped of unnecessary complications, the trust system may be explained as follows. By summer, 1921, almost everyone had become convinced\* that it was impossible to run the whole of the industries of Russia by means of centralised departments in Moscow. The plan was therefore proposed of grouping together a number of factories in the same branch of industry and of calling this group of factories a trust. This trust, which is a State concern holding nationalised property, is to be run on commercial lines—on a basis of economic advantage, as the Russian decrees on the subject put it. In so far as supplies of raw material, money, etc., are received from the State, the trust is bound to give a corresponding proportion of its output to the State at (artificially calculated) cost prices. If the State does not supply the trust the latter can sell its products on the open market, and can also make its own arrangements for the purchase of necessary raw materials, fuels, machinery and so forth.

It will be observed that the trust, although technically a State organisation, preserves a considerable degree of independence. Its dealings with State departments and with other trusts are on a cash basis. The State has no right to interfere with the internal management of the trust, which is in the hands of a small board of directors (nominated, however, by the State), who can share in any profits which may be earned.

\* The changes then made in the constitution of the governing body of the Supreme Council of National Economy showed this clearly.

## The Communist Experiment in Russia

The famine has, of course, greatly speeded up the process of emancipation from State control. Almost one-third of the food tax was to have been obtained from the famine-stricken Volga area. The State food supply was reduced and the number of mouths fed by the State was gradually decreased, till now the State, instead of feeding 35 million, feeds directly from State sources of supply only 6 million.\* The area handed over to private initiative has correspondingly increased. In this connection, one of the most important results of the new economic policy has been the recognition that some criterion has to be found for estimating the advantageousness or disadvantageousness of a given undertaking or proposal. The "single economic plan" made no provision for this; there was no means of comparing, say, the output of a factory with the effort expended to obtain that output. The imperative need for economy has put an end to this state of affairs at least in principle (anyone who knows Russia knows how far principle and practice may diverge!).

Were a complete survey of the Russian situation to be attempted it would be necessary to touch on many points. It would be necessary to refer in greater detail to the three problems which Soviet Russia is constantly facing and which have so far constituted a vicious circle from which she is unable to escape—viz., food, fuel and transport. Enough has been written about the famine in Russia to render any reference here unnecessary. The purely economic effect has been, as stated, that of accelerating what one might term the de-communising process. It is impossible to deal fully with either the fuel or the transport questions without importing a multitude of statistics, but one feature of both problems may be mentioned as having a general bearing—viz., the position of labour.

Before the inauguration of the new economic policy, labour in Soviet Russia was organised on what one might almost term a military basis. Industrial mobilisation was

\* Including the Red Army.

## Money and Finance

in force, and went so far as to prevent workers from leaving State factories to which they had been "attached." Money wages were insignificant and were regulated by an enormously complicated system of wage tariffs drawn up by trade unions. Trade unions exercised great powers of control, and constantly interfered with the actual internal management of enterprises. Workers received State rations, which constituted by far the most important part of their wages. In other words, the system was one of equal wages, independent of output, and not depending even on whether the factory was working or not.

The new economic policy, involving, as has been shown, the resuscitation of commercial principles, changed all this. The State commenced by introducing a system of "collective supply," under which a factory received a certain supply of food depending on output but not depending on the number of workers employed. It thus became obviously in the interests of the factory workers that the number of hands should be reduced as far as possible. Further, the system of payment by results was introduced wherever practicable. The effect of these measures has been greatly to increase individual output and greatly to diminish the number of hands employed. A policy of reduction of staffs has indeed been adopted throughout Russia, and unemployment \* is steadily on the increase.

### V. MONEY AND FINANCE

**B**EFORE endeavouring to sum up regarding the present situation in Russia, a brief explanation is necessary regarding money and finance. One of the acts of the Bolshevik Government in its "pre-NEP" period was to abolish all forms of taxation. Banks were nationalised, as

\* According to Russian laws, unemployment benefit is paid to skilled workers at the rate of  $\frac{1}{2}$  to  $\frac{2}{3}$  of the minimum earnings of the grade in question in the district. Unskilled workers receive benefit only if they have been three years in the factory, and on a much lower scale.

## The Communist Experiment in Russia

has been mentioned, almost immediately after the Bolshevik revolution. The deliberate aim of the Government was, so far as possible, to render money useless. At the same time the Government for its own purchases exploited as far as possible the belief held by the peasants in certain areas that the old "Romanoff" and "Kerensky" notes were worth keeping, and issued these notes in large quantities. The printing press became the sole source of State revenue.

So long as trade was prohibited this plan was to a certain although constantly decreasing extent practicable. When, however, NEP was introduced and trade was thrown open the demand for money tokens became enormous, and a veritable money famine was the result. As the principle of free State services gradually became replaced by the principle of payment on a commercial basis—when railway and tramway travel ceased to be free, when rents were reintroduced, when electricity, gas, and water (municipalised) undertakings were told they must charge commercial rates for their services—the demand for money increased yet further.

To meet the demand a State Bank was set up, and was specially instructed to give preference to applications for advances from State industry (trusts). As, however, the value of the paper rouble has been depreciating with almost incredible rapidity no deposits\* are being made and the Bank to a large extent acts simply as a distributor of paper money.

As regards State finance taxation† has been reintroduced, but the extraordinary depreciation of the rouble renders calculations very difficult. A budget produced in December

\* The rate per £1 was 10 million roubles in the middle of March as compared with about 1 million roubles at the end of December.

The rate of interest charged on advances was 12 per cent. at a time when deposits received about half that rate.

† Great difficulty is being experienced in collecting taxation owing to absence of the necessary technical personnel. The reports of the Commissariat of Finance are eloquent on the subject.

## Money and Finance

last for the period January 1—September 1, 1922, was passed practically without discussion by the Congress of Soviets, but later proved so full of mistakes that it had to be withdrawn. It is well to accept with great reserve any official Russian statements regarding finance. All that can be said is that attempts are being made to prune expenditure, but that so far at least little positive result has been achieved.

Can it be said that a state of equilibrium has been achieved? Have economic conditions in Russia crystallised? Obviously the process of transformation, which an attempt has been made to describe, is one which cannot but be unpleasant for the Communist true believer, and which he would be very glad to stop. Lenin declared in a recent speech that the economic retreat had gone far enough, and that it was now possible to call a halt. What did he mean by this?

The best answer to these questions is supplied by the Communist Press. At a time when, in Western Europe, the representatives of Soviet Russia are proclaiming the organisation of Russian industry in trusts as something enduring, something really permanent, these very trusts are undergoing a severe financial crisis, and the question of reducing their number is being raised (not to mention such developments as the formation of "syndicates of trusts," a syndicate being defined as a voluntary organisation set up by a number of trusts for common ends, such as the purchase of raw material, marketing of products, etc.). The causes of the crisis are interesting. In the first place, the trusts have from the very beginning suffered from shortage of working capital. Most of the factories need extensive repairs and new equipment. Stocks of raw materials are low and have to be paid for. Wages have to be paid. It is difficult to carry on work on even a modest scale unless output can be sold immediately. In this matter, however, there are two difficulties. In the first place, many trusts manufacture goods which are unsuitable

## The Communist Experiment in Russia

for the open market, and which can in fact be bought only by another trust. But the purchaser trust A is quite as likely to be short of money as trust B, the maker and seller. The general money crisis thus makes it difficult to dispose of goods. In the second place, the market in which goods can be sold is limited both as to purchasing power and to geographical area. In fact, owing to the deficiencies of the transport system, goods cannot be sent long distances and cannot be sent far from the railway. As a result we read of a severe crisis of over-production, and this in a country which has received no foreign imports of any importance in recent years, a country with an industry which was never able even to cover home requirements, and which is now reduced to a mere fraction of its former productive capacity. The crisis in Russia is a capitalistic crisis ; it is a crisis of over-production relative to effective demand as measured by purchasing power.

### VI. GENERAL CONCLUSIONS

**T**O sum up, the attempt to pass directly from Capitalism to Communism in Russia proved a failure. To use Lenin's phrase, the Communist Government has had to order an economic retreat. There is no sign that the forces which defeated the experiment of 1917-20 will cease to operate. Hence we may conclude, assuming that the world revolution on which such hopes were placed does not eventuate, that Russia will progress yet further along the path of Capitalism.

One example may serve to show how far the process has already gone. In one of his recent speeches M. Kamenev referred to certain "commanding heights" which it was essential to retain if the dictatorship of the proletariat were to continue. These "heights" were nationalisation of land, nationalisation of large scale industry, and nationalisation of foreign trade.



## General Conclusions

As regards the first of these, the nationalisation of the land, this is retained in theory. In effect, however, the Communist Government dare not interfere with the peasant's wishes as regards the working, management and cultivation of the land. Lenin, with his usual keen sense of realities, has expressed this by declaring forcibly that unless the Communist party can satisfy the peasants, the peasants will send the Communists packing—and serve the Communists right, he adds—if a Government cannot manage things it has no right to exist.

As regards the nationalisation of industry, it has been shown that the trustification of industry involves a considerable measure of State de-control. Trusts inevitably begin to look at matters from a commercial point of view, from the point of view of their own private interests as opposed to the interests or desires of the State as represented by the Communist Government. It is interesting in this connection to observe the general movement on the part of trusts to free themselves from the control of other State institutions, and in particular from the Commissariat for Foreign Trade, the guardian of the third of the commanding heights referred to by M. Kamenev.

Our general conclusion must be that the Soviet Government will, to use the Communist phrase, continue its economic retreat. Certainly much yet remains to be done. Existing legislation in many cases reflects the economic conditions of the past and not of the present. There is no legal recognition of some of the features of an ordinary capitalist society; for example, the law of contract has not yet been introduced, although hundreds of contracts are being concluded daily.

This raises the question of the possibility of establishing economic relations between Russia and Western Europe, and thus brings us back to our starting-point. What traffic will pass across the bridge once the gulf has been bridged?

A full answer to this question would demand a very

## The Communist Experiment in Russia

much more extensive survey of Russia than has been attempted in this article, but one or two considerations may be stated in conclusion.

1. The restoration of Russia without European aid would at best be a very lengthy process. This is now admitted by practically everyone in Soviet Russia.

2. The restoration of Russia depends on the restoration of Russian agriculture, which, partly owing to its primitive methods, has suffered less than Russian industry.

3. The restoration of agriculture involves the restoration of industries supplying the agricultural population, and of transport, which is necessary for the marketing of agricultural produce.

4. Russian industries will revive when Russian consumers once more command purchasing power. Expansion of the market is possible only if transport is improved. Restoration of industries will be impossible without extensive help in money and in kind from abroad.

But before traffic begins to cross the bridge there must be some assurance that it is safe. There must be confidence in the organisations which carry out transactions on behalf of Russia. Perhaps the best guarantee that can be offered—material guarantees are unlikely to be available—is that derived from a study of the way in which things have moved in Russia. In other words, however much certain Communist leaders may wish to put the clock back, and to wipe out NEP and its “capitalistic” memories, the economic current in Russia does not favour such an attempt, and the Soviet Government, as has already been observed, swims with the stream, not against it.

## LETTERS FROM EGYPT

*The following letters are the result of a visit which the writer recently paid to Egypt in order to see things for himself and to form his own conclusions. These are given in the last two letters. The others show something of the mental process by which the conclusions were reached.*

AT SEA.

February 27, 1922.

MY DEAR R—,

The sun you used to love is beating down on this ship. All yesterday I lay and soaked in it. Gradually the restfulness slid into my mind, which makes one turn to poetry again and Walt Whitman's *Song of Myself* was what came to my hand. To-day we are further South. After a delicious half-hour I am glad, indeed, to drag my chair into the shadow to write to you; just as a dog moves from the fire to the cold side of the room. Round me on the upper deck everything is gleaming. To call it white is absurd, for it would take a touch of every colour in your box if you were painting it—the planks with the pitch bursting in the seams against the heat, the boats, the canvas awning over the rafts, the chart house and, above all, the upper side of each gull's wing as it turns to swoop and to float down wind. The smoke is full of colour before it has even got clear of the funnel. Behind us it leaves a purple cloud, the only one. The sky is the creamy blue of the veld, and through the middle of the sea there runs a broad way, a million daubs of burnished copper where each

## Letters from Egypt

little wave leaps to catch the light. On our port bow lies Cythera, a sun-washed splash of yellow green in a wine dark setting. Early this morning, while there was still a bite in the air, we passed a great snow mountain with white shoulders, like a woman's, delicately defined against the upper air. It seemed to be watching us from far away in Sparta. We are now heading for Crete. The wind occasionally brings me a snatch or two of a woman's voice singing, like the syrens of old.

It was in these seas that Ulysses' companions were once changed into swine. Does the power still remain? There is a young Greek on board, gentlemanly, literary, and musical. I heard him playing the *Preis Lied* this morning with a good deal of charm and I have just left him leaning over the rail gazing at Cythera, full of Greek poetry. He had been in Smyrna only last year. What were his countrymen going to do about Anatolia? I asked. The reply was given in one word, "Finished." The Asiatic Greeks were, he believed, better off under the Turks. For himself, he had been away in Europe for nine months to avoid service in the Greek army, and he spoke of it with dislike and, I thought, with contempt. He may of course be one of those Egyptian Greeks who have lost their own sense of country without getting any other, but in sight of his own islands I could not help remembering the old lines I used to have to put into Latin verse at school :

"Eternal summer gilds them yet  
But all except their sun is set."

My voyage out is ending in a note of interrogation. At this stage questions are about as far as I can hope to get. An open mind is essential. There seem to be two clearly defined principles, each attended by its own dangers. It is easier to keep them apart in abstract theory than in practice. One is a settlement that would forthwith place every stitch of responsibility on Egyptian masts, even though

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they break under the strain, rigidly limiting our own part to the bare minimum demanded by imperial needs. The other is to go slow; to spread the new sails gradually, so that there may be no danger of the unaccustomed masts snapping, though such a course must for ourselves entail considerable risk. For we should incidentally be associated with the failures, and some, I suppose, may be expected under any kind of self-government. The Government to-day is aristocratic. Possibly it is the type that is really best for Egypt; possibly we have no choice.

I lay awake last night thinking over difficulties of this sort. Perhaps it was our position—we were tossing off the coast of Corcyra at the time—but I dreamt of the old Thucydidean days when every Greek colony was torn in half between aristocratic and democratic factions and Athens, too, had to decide which horse to back. Is it possible, I wondered, without too great risks to take a course that would enable the Egyptians to start with a Government which, whatever its defects, would at least be recognised as their own for better or for worse?

Yours ever,

CAIRO,

*February 22, 1922.*

MY DEAR R—,

I am writing on the stoep of the Semiramis, a stone's throw from the Nile, and through the trees I can just see the pyramids, bathed in the desert sunset. It is hard to sit still with the Gezira bridge in front leading into the afterglow. Behind me the great lounge of the hotel is full of tourists, American for the most part. But the Egyptians themselves in this ancient country seem little more than birds of passage. It belongs once more to the dead at such moments. They make up for a day hideous with recollections of extortionate dragomen, refractory porters and hours at the customs house.

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After leaving the ship I dropped into a different level. It is a pity Governments can't sometimes do the same. There was sound sense in Haroun el Raschid's habit of wandering about his capital in disguise. I purposely took a low class ticket ; but, alas ! Egyptian talk is in Arabic, so three hours in a crowded carriage left me much where I was at the start. Still, there were a couple of Italians whose remarks were not without interest. They had been in Egypt over thirty years. They looked like small grain merchants. The view of the foreign element here is often considered a negligible factor. Their own skins and our tails are said alternately to occupy their whole attention. And they can, undoubtedly, be extremely annoying. A French shop here in some of the recent disturbances had its windows broken. Instead of recovering the amount from Government, I am told that it ostentatiously, by means of a notice, waived its claim, "its small contribution of sacrifice in the national struggle," or some such words. As a result to-day there is hardly standing room in it. In a dispute with my dragoman I appealed to a foreigner in uniform for information as to the amount to pay. He unhesitatingly backed the dragoman, though the amount proved to be preposterous. Well, there was nothing unfriendly to ourselves in these Italians, and it was not make-believe, because they took me for an American. For all that England had done in Egypt they had nothing but praise. "Ingrates" was the term they applied to the extremists—from the window they pointed out actual fields sold for £2 when they first came to the country which now fetch £100. Our chief faults were gentleness and dilatoriness when firmness and rapidity of action were called for. Of the extent, however, to which every class is nationalist they had no doubts. Give something, they both agreed, we must. Lord Allenby's present popularity did not impress them. It was based on expectations. The fellahin, though they had no idea what it meant, shouted for independence like everyone else. They had their moments of

## Letters from Egypt

doubt, but they had forgotten the old days of their oppression—at all events, the young men had. Their suspicions were daily aroused against ourselves, and Moslem prejudice against the infidel, never far from the surface, supplies an excellent groundwork for agitation. The Nile was bad last year and this season it will be worse. It is the English who have cooped up the water is what the peasant is saying. At this point the communicative brother got out at a small wayside station and for the rest of the journey I was reduced to a rather fruitless study of fez tops bent over vernacular newspapers, expressive yet inscrutable.

If only I knew Arabic! Here in Cairo every café is full of young effendis, their air of pre-occupation just what I remember it two years ago; their dress, the usual combination of good English tweed and the tarboosh, so typical of their cause with its twofold character. If I were a tyrant I should shut up all cafés. They had, I expect, as much to do with the success of the French Revolution as the want of that whiff of grapeshot. Well, to-morrow the Allenby pronouncement is to be made. The Nationalist Press takes up a sceptical attitude. It is just finishing a series of articles on the Soudan to show that Egypt cannot live without it.

Till to-morrow, good-bye.

Yours ever,

CAIRO,

March 3, 1922.

MY DEAR R—,

The 1st of March has come and gone, and the Proclamation is out. It is early to write again, but at the risk of boring you, I will send a postscript.

A friend who speaks Arabic bought a paper to read the new proposals. Before he took it he asked the newspaper boy, an Egyptian of perhaps 17, what they were. The

## Letters from Egypt

latter without hesitation gave a summary of them—some one else's, I expect, as he would hardly be able to read. There was no doubt, however, about his interest. "They amount to absolutely nothing!" was his comment. The same friend asked another Egyptian, this time a clerk, what he thought of the Declaration. The recognition of independence he felt to be a solid gain. Not because we meant business—on the contrary, he was sure we meant to whittle away everything later on. The belief in our capacity for eyewash is extraordinary; but he considered the nationalist position immensely strengthened. They now had, he felt, a real jumping-off ground. I asked a young man the way to-day to an office, and he came with me, as I find people here often do. This lad claimed French origin, but he was clearly of the country. What, I asked, were people saying? "They say it means just nothing," was his reply. The only thing the crowd cared for, he continued, was the return of Zaghul. As another man put it, they don't grasp details, and they distrust us. They therefore feel the need of someone to run their cause, of a dragoman, one might say. At the same time, an old inhabitant, an English official, remembered the immense place Arabi occupied, and how soon his image faded. Memories seem to be short in this land of sunshine. Mrs. B—— went the other day to the Pyramids; there was a meeting there to do honour to a Syrian, an Arabic scholar of great renown, effendis and townfolk for the most part, for only a handful of Bedouin, for whom the function was really intended, turned up. The second speaker said amid loud applause: "There are three pyramids in the ages—Cheops', Mustapha Pasha and Saad Zaghul!" Meantime the Bedouin were paying attention to nothing except Mrs. B——, offering her donkey rides and almost fingering her. Another English lady I met at tea this afternoon told me her servants called Zaghul a god "almost higher than Allah!" I have heard him nicknamed the Golden Calf of Egypt. A Pasha admitted to me his gratification



## Letters from Egypt

at parts of the Declaration ; but he was waiting to see what followed. These are just *voces populi*. I hear, however, that at Tantah there have been riots, three killed and twenty injured. No demonstration worth mentioning has occurred here. This afternoon's papers give the new Ministry. Adly Pasha is not, of course, among them, though he is believed to be behind them.

Yours ever,

CAIRO,

March 10, 1922.

MY DEAR R—,

My last letter was written just after the Declaration, and since it I have seen people of all sorts—English, Egyptians of both creeds, and Syrians—and I want to give you some idea of what they are like, for it is an important side of the Egyptian problem. What they think is a different matter and I will come to that later, when I have seen more. I feel at present rather as Herodotus must have felt when he saw the Nile. Sentiment flows in one direction. But the springs that feed it are as out of sight as the Abyssinian snows, and there are eddies and back-currents underneath. There are extremists, they tell me, who back proposals that they know cannot be accepted, because they are afraid of our leaving. Then take religion. The Copts are perhaps a million out of thirteen. The Declaration would expressly provide protection for minorities and has given offence by saying so. Here is an extract from the Copt paper, *Misir*: “We are energetically opposed to this distinction, which has no other object except to divide a united nation in order that the ends of policy may be compassed.” Of the five who have gone to the Seychelles with Zaghlul, two are Copts. I begin to think that in Egypt the sky is the only thing that is clear.

## Letters from Egypt

Well, in this letter I am concerned with classes, not politics. Someone once said of Egypt that there was no idea of equality, only superiority and inferiority. I will begin with superiority, the well-to-do people who live in Cairo on their rents or sometimes follow professions. It is not an aristocracy in our sense. The titles of pasha and bey are not hereditary. Wealth and influence are its mark, though people are proud of Turkish descent. Politically, it is important, for such administrative experience as exists is largely found in it. It is known as the Pashawat class. As far as outside appearances go it is often hard to tell that it belongs to the East at all. Its members are sometimes no darker than ourselves and their clothes are European, often clearly from a good English tailor. The effendi generally pays attention to dress. Even the tarboosh is not a certain guide, as it is often worn by Englishmen. Nearly all of this class speak excellent French, sometimes even English. Pashas from Balliol are not unknown. I have never anywhere met with greater courtesy and amiability, though these qualities are not peculiar to any Egyptian class. Their manners put my own to shame. Occasionally, as those who met the Adly delegation in London last summer will remember, one finds real distinction. In former times people of this class often went to Constantinople for the hot weather, but the war broke the habit and Europe has since taken its place. Fortunes were made over the military during the war and, after it, out of cotton, which naturally put trips abroad within the reach of a wider circle. This has no doubt had political and social consequences. Like Winston Churchill's Mesopotamian War Minister, some of this class were on the other side in the war. A young politician I met the other day—he might have been an English cavalry officer—was Enver's A.D.C. A Bey I saw yesterday had fought to the end with the Turks and to-morrow I visit an ex-protégé of K.'s, who spent the war in Vienna and Constantinople. It is, by the way, extraordinary how K.'s memory still lives. One hears

## Letters from Egypt

tributes to him on all sides among the Egyptians.\* Occasionally I find an enthusiasm for English books. I remember travelling out here just after the Armistice with a bitter young extremist, who carried Scott about with him. More young Egyptians seem nowadays to go to England for their education than to France.

Egyptians are different to the Indian. The Indian of culture could easily hold his own intellectually and the dignity of a man like Sastri would be remarkable anywhere ; but for an Englishman these pashas are pleasanter companions than the ordinary Indian. There is an engaging cheerfulness and a ready sense of humour which is very like our own. They look you in the face, too, when they talk to you. The core of this class has never in any sense been an under dog. In its veins there often flows the blood of another ruling race, once as alien except for religion, a big exception, as our own, the Turks. More rarely it is Arab. Such families are now about as much Egyptians as our own Normans were English under the later Angevins. It is easy to understand the sympathy which they inspire in Englishmen. It is certainly not here that you must look for fanaticism. And yet it is as well to remember that the East is still the East, even when it wears a Poole coat. It is no offence to say so. Few of them would wish to disclaim it. They belong to both worlds.

In the case of the ladies the East seems nearer the surface as far as one can judge from appearance and dress. I see processions of them sometimes demonstrating for Zaghlul in the streets. Even those of the Pasha class, at all events the young, are largely Saadist, they and the youth of the country generally. The daughter even of one of the Ministers is said to have threatened to boycott her own papa as a traitor. Strikes of schoolboys and schoolgirls have long been an everyday matter. Young Egypt is very different to the old conservative generation. The latter,

\* He introduced the five-*feddân* law which exempts this area of agricultural land from seizure for debt.

## Letters from Egypt

I am told, looks upon it with amazement, sometimes tempered with admiration.

Well, I won't apologise for spending so long over this class. It is not Egypt. Only some eight per cent. of the whole population indeed are literate and even this percentage goes outside the Pashawat class.\* It is upon its shoulders, at all events, that our mantle is at this juncture falling.

Yours ever,

CAIRO,

March 18, 1922.

MY DEAR R—,

In my last letter I dealt with "superiority." I will now go to the other end of the scale, to the real backbone of the country. Egypt is, as someone reminded me the other day, just a market and a garden. The market part, the middleman business, which exports what Egypt gives to the world and brings in what she herself wants, belongs to the foreigner. The garden side, however, is Egyptian and it is the fellah's own. His is the labour which has always made the Nile Valley what it is. Except for cotton and a little sugar the great Egyptian towns are his main market. The size of Cairo and Alexandria will remind the stranger who knows Australia of its state capitals. Together they contain about  $1\frac{1}{4}$  million inhabitants. But for the outside world the fellah's cotton is the thing that counts. One of our greatest industries cannot do without it. It is it that brings outside wealth into Egypt and the future of her growing population depends upon the cotton market, just as it does upon the Nile.

At home when we speak of Egypt we generally think of her picturesque bazaars or the monuments of her

\* The 1917 census gives the following figures: People living on their own means, 136,321; people engaged on liberal arts, including professions, 142,971.

## Letters from Egypt

ancient dynasties. The tourist in his *train de luxe* whirling through to Cairo or Luxor is surprised perhaps at the greenness of a rainless country, but otherwise he hardly gives what he is passing a thought. And yet it is the real Egypt that is slipping by his carriage window. It was green before the pyramids or Karnak existed. Otherwise they could never have been built. Last Sunday I motored out to an island in the Nile where a rich business man has turned a sandbank into a paradise. Our road followed the river through fields of emerald fodder or young corn. Patient figures, like Millet's gleaners, only in eastern dress, were everywhere stooping over the crops or looking after their beasts. Buffaloes, as in India, wallowed in every pool and at each bend we had to slow down to let pass camels buried under mountainous loads of delicious clover. Donkeys ambled by or backed over the edge of the path. Sun-dried hovels jostled one another in the villages, which for filth beat our dirtiest farmyards, and hideous eye diseases ceased to shock one. But the fields, the real home of the fellah, were full of life and colour. A good natured hard-working lot these peasants looked, a mixture of obstinacy and common sense. If homesickness means a dread of the unfamiliar it has never haunted any race like the peasant of Egypt. He never emigrates. Service in the Soudan is his bugbear. Only at death he pushes his tombs shyly out of the sown strip into the desert. It is for him the edge of the unknown.

There is a sort of insularity which only the desert can give. I never knew what Egypt was till I drove through this strip, a flaw of vivid life in an unspeakable waste. There is no contrast like its green against the desert. The ancient Egyptian conception of the world as a man stretched on his face in the void, his back clothed with vegetation no longer seems ridiculous. Once south of the Delta you can anywhere see the barren hills a few miles away on either side. At evening and dawn they literally take fire like the hills of the Karoo. The desert

## Letters from Egypt

pens in this people more effectively than armies or blockhouses. Could anything be more vulnerable, to use Kipling's expression, than "a long strip of market garden"? Nowhere in Europe does the density of the country population approach that of these irrigated lands. It is often over 700 people to the square kilometre.

It was the desert that kept the ancient civilisation of Egypt unique. It crumbled away before the contact of alien culture, like a mummy exposed to light. She became a world centre early in the ages, but to this day internationalism gets little further than the cities. It passes the fellah by. He remains the fervent Moslem he was in the time of Saladin. He is still subject to fanaticism, though apparently less so than most Mahomedans. Toil has, indeed, never left him much time to look up from the ground. In 1882 he was oppressed. To-day he is comparatively well off, at all events if he owns his holding, and there is no longer forced labour, but he is still rackrented, without security of tenure, and wretchedly housed.\* In education he is much where he was before Tel-el-Kebir. The 1917 census showed nothing as high as eight per cent. of literates for any country district. Twenty-five per cent. even of the mayors and eighty per cent. of the sub-mayors were illiterate. There are, however, processes which do not depend on the schoolmaster, and lately there have been plenty of them. The Labour corps showed the fellah the world. The system under which he was enlisted was iniquitous, but his period of service filled his stomach, his pocket and his head as they had never been filled before. He returned different. Then there was the cotton boom, which reached its height in 1919. The

\* It is, of course, the agricultural labourer whose position is the most uncertain. The 1917 census shows 849,725 landowners cultivating their own land as compared with 519,693 in 1907. Cultivators of land on lease dropped from 920,435 in 1907 to 506,681 in 1917; but the census also shows 2,582,489 agricultural labourers as compared with 832,785 in 1907.

## Letters from Egypt

landlord took the cream, but with a rise in prices from 100 in 1914 to 1,020 in 1920 some wealth was bound to percolate to the lower levels. The fellah found himself for the first time in the ages rich. Like the clown in the fairy tale he got wealth, but alas! he forgot to wish for wisdom as well. There are stories of fantastic extravagance, of motor-cars taken to villages where you can only drive for three or four miles, of flats hired in town where he and his family squatted on the floor, rococo chairs along the walls behind them. Crowds came to Cairo. They returned in most cases with empty purses, but they took home some of the heady ferment of the town. The soldier on leave or the student home for the holidays keeps the supply going. In 1919 the closing of the schools was like spreading paraffin on dry grass. In 1921 the price of cotton fell to a little over 140. Fortunately some of the money had not gone astray. The boom left the burden of debt under which the fellah had for generations laboured sensibly lightened.

But the most solid change of all is forty years of decent government. To the present generation the days when Ismail said of the fellah that the only thing to do with a sack of flour was to beat it against a stone are an old wife's tale. It is now taken for granted that he will get his proper share of water, but that is far more significant than any gratitude; and I cannot see the peasant to-day standing oppression as he did before we came. You cannot feed a horse on oats for long and expect the same quiet ride as when you took him up from grass. Here are a couple of instances I got from a friend. A fellah forcibly impressed in the Labour corps did his service just as his ancestors did, but no threats would induce him to put his mark to the document which testified that he was a volunteer. Another could not get his wound pension. He was given a small lump sum, but not content, he wandered about the country for three weeks, till my friend found him and got his claim satisfied.

## Letters from Egypt

It is a thousand pities he is still uneducated. Ignorance makes him not only credulous but suspicious. Ignorance, too, has kept back many long-needed reforms. His own primitive methods of cultivation have been carried to a point that excites admiration; but imagine what modern improvements would do, not only for his agriculture, but in co-operative enterprise, land drainage and public health, if only he knew enough to make use of them. Egypt depends on her cotton. It is her only string, yet it may at any time take more wits than her cultivators at present possess to hold its own in the world's market if her monopoly is assailed.

Why, then, when so much else has been done, have we let forty years go by without more elementary education? In the Philippines over half the children are already at school. Their population is only from three to four millions short of Egypt's, and the Americans did not go there till 1898. Can responsible government ever work with such a dead-weight of illiteracy? Will the fellah be able to use the opportunities it brings him? But I will come back to this and to our own excuse later.\*

Yours ever,

CAIRO,

*March 20, 1922.*

MY DEAR R—,

To finish my description of the lower classes, I must go back to the towns, where the population is smaller than that of the country, but politically more important. Even here the standard of literacy is miserably low, hardly twenty-five per cent. in 1917 for the most advanced urban district, foreigners included. The West may claim a good deal in the Pasha, but in the lower quarters

\* For the handicap imposed as a result of foreign privilege, see letter of April 12. The elementary education scheme of 1919 was spoilt by the apathy of the Provincial Councils, which failed to provide their share of the expense, it appears.



## Letters from Egypt

you drop straight into the East. *Galabeahs* and flowing robes take the place of broadcloth, and religion is still a force. The townspeople are by nature easy tempered like the fellah—many of them, indeed, came originally from the land; but when fanaticism does occur in a place like Alexandria it is a more serious business. For, although the French and British reside apart in their own quarters, Greeks, Italians and Egyptians all live higgledy-piggledy together. The competition of the Greek shopman, too, is an irritant. There are nearly 70,000 Greeks in Egypt, and usury, forbidden to the Moslem, is a dangerous Christian monopoly. What, you may ask, do all these people do if there are no industries? Well, there are railways, docks, and handling trades, which require thousands of workmen, a little pottery and a few ginning and tobacco factories. Then there are the artisans and the shopkeepers. You will remember seeing them sitting cross-legged in the Mouski at Cairo. And politically the shopkeeper counts. For, like the barber in the *Arabian Nights*, he rubs up against all sorts and conditions of people, and is the first to hear of trouble. He would count still more if he was not so often a foreigner or a Syrian. If you want a vivid picture of this world, read *Goha le Simple*, a real Egyptian novel.\*

But, you will say, is there nothing between the upper and lower class, no business people? It is hard to imagine responsible government without them. Persia is feeling the want at this moment. Unfortunately Egyptians steer clear of business. Their ambition is almost invariably a Government job. I have heard of young men with a large income from land taking a miserable clerkship. The *petit fonctionnaire* and the clerk are the nearest approach to our own middle class, they and a few larger shopkeepers.†

\* *Le Livre de Goha le Simple*, by Albert Adès & Albert Josipovici, Paris, Calmann-Lévy, 3 Rue Auber.

† The 1917 census shows 43,361 employed in the public administration and 142,971 persons engaged in the liberal arts, including clergy, judicial functionaries, professional men, teachers, literary men, etc.

## Letters from Egypt

Law, medicine and engineering also attract young Egyptians. They seem to make particularly good surgeons. The professional class plays already a very important rôle politically.

The Copt I have left to the end. Centuries as a minority under Moslem rule have sharpened his wits, and, like the Syrian, he plays his own peculiar part, and an important one. The ablest nationalist writers and some of their leaders, belong to these Christian sects. Many of the Copts are rich. One of the pictures that still lingers in my memory is their white palaces looking over the magnificent reaches of the Nile at Assiut.

Yours ever,

THE TRAIN TO CALAIS,

*April 6, 1922.*

MY DEAR R——,

I have tried to give you an idea what the people look like. Now for what they think—a more difficult matter. I at first expected to find political parties like our own. I was soon disillusioned. In the words of the celebrated chapter on snakes in Ireland: "There are none." Everybody is a professing nationalist. They differ, not in principles, but in methods and leaders. Even as regards method you meet paradoxes. The moderate in negotiation has often to show himself stiffer than the extremist to prevent himself being "dished." The present Government may be forced by unpopularity to beat the anti-British drum and to show itself intransigent. Again, the extremist may for an ulterior purpose show himself unexpectedly moderate, to secure, for instance, the return of Saad, though he may also try to force his opponents into an extreme attitude. The old National party is hardly worth referring to. Though there is sentimental sympathy with Angora, no one now speaks of the closer union with Turkey for which that party stood. Nor has the Government itself any real party

## Letters from Egypt

of its own. It makes or loses ground as it goes along, and certain steady factors tell either in its favour or against it. What it drops Zaghlul picks up, while it scores by disaffection in his ranks. His lever is its want of popularity. He is, however, far away, and it is on the spot with its hand upon all the other levers. There are, indeed, already significant signs. The week I left Cairo, Tantah, usually a hotbed, passed a sympathetic address. Since I left Egypt there has been another secession from the Wafd, already depleted of so many of its original members. Zaghlul's temperament and his personal trouble with Adly lost him many supporters; but there is another reason for misgivings. He would never, it seems, have been willing to take office. His friends put it down to selflessness, his enemies say he knows that by governing he would become as other men are. This naturally alarms the ruling classes. The idea of an Egyptian Boulanger is not relished. Weak government, too, in these days, might let in Bolshevism. New ideas about land have occasionally appeared, and last May Communist tracts from Leipzig were found at Alexandria. Some of the mob, too, openly shouted that they wanted no more Pasha leaders, not even Zaghlul, for their revolution. Sarwat, at all events, stands for order. There are exceptions, some of them important, but, speaking generally, the upper class is not ill-disposed to the Government. Even neutrality, especially if it is benevolent, counts, and it may develop into something firmer if Sarwat does well. Certainly no Cabinet could carry on with the political classes and the large landowners, whose influence over the fellah was shown last autumn when Zaghlul went to Upper Egypt, in active opposition as well as the mob. It is, moreover, difficult to find effective leadership outside this class, and that is what the anti-Government forces lack. But such an attitude might equally turn to opposition if things went badly. Another thing, it is an asset to any Government to have the support of Adly Pasha.

## Letters from Egypt

I will now pass to the Zaghulists. They start, at all events, with the advantage of a name, which is something. Their strength lies in youthful Egypt, young doctors and lawyers, Government officials, students and women, and in the uneducated masses. A distinction must, however, be made between town and country. The fellah shouts for Saad, but his fields leave him little time for politics and his intelligence is of a low order. It is, however, easier to get a thing into his head than out of it, and Saad's image was firmly planted there three years ago. The propaganda, too, that reaches him, mostly through students, is Saadist, though his traditional habit of obedience is a counter influence. Zaghulism is, however, more than a parrot cry with him. The roots go a long way back. Arabi's revolution started as early as 1882 the hopes which were revived by Zaghul after the Armistice, and both Arabi and Saad were themselves of fellah origin. The agitation of neither would, however, have succeeded had there been no real grievances to work upon. In 1882 it was oppression; in 1919 it was the Labour corps and requisitioning trouble. Grievances sometimes are an effective substitute for the political instinct which the peasant lacks. But it is in the towns that Zaghulism is strongest, among the people I described in my last letter. Here the grievance was the high cost of living.\* Peasant combination is out of the question in a country shaped like a wine-glass and mostly stalk, but the crowded bazaars lend themselves both to combination and to intrigue. Saad's influence is personal. He is anything but a traditional hero, being sixty-five and diabetic, but he is an orator, and in spite of serious temperamental defects—a curious timidity seems to be one of them—he has the indefinable thing we call character. He also gained ground by his sufferings for the nationalist ideal. Some think, indeed, that he was on the point of giving

\* The climax of the Nationalist agitation coincided with the climax of prosperity of other classes, as in Ireland.

## Letters from Egypt

up the struggle when he was arrested last December. For the progress that has been made towards independence he gets the entire credit. But if his hold remains there is also another reason. Declarations are Greek to the masses and distrust makes them follow blindly any leader to whom they pin their faith. Sarwat is often held to blame for the prolonged absence of their idol.

I said that everybody was a professing nationalist. There are, however, people with no views of their own who are simply driven along by the force of opinion round them. Students especially seem afraid of appearing to lag behind. There are Moslems, too, as well as Christians, who have doubts about the readiness of their country to rule itself, though they could not be expected to make so humiliating a confession in public. Lastly, there are others, mainly Christians, who are genuinely afraid of what is coming, though they dare not show it. They are also anxious not to seem to hang back. You or I have no personal anxiety when our political opponents come into power, but in the East changes often mean more than they do in England. How real the risk may be to-day I cannot of course say. Fear often survives its original cause.

The result of all this, coupled with the backward political condition of the people, is that once a movement reaches a certain point, there is apt to be a landslide which carries everyone with it. To say that this has happened in Egypt does not mean that the nationalist movement is not genuine. On the contrary it is a sure sign that a formidable force is at work when trimmers jump. Political sense may be lacking, but there is exceptional sensitiveness to change in the political barometer. The vast majority of Egyptians undoubtedly want independence, but the conditions I have described do, I think, account for the absence of any dissentient voice. After all, we ourselves produced Vicars of Bray once upon a time. *Autres temps, autres mœurs.*

Before I stop, just a word about the distrust of which the air is so full. Considering that Egypt came out of the

## Letters from Egypt

war prosperous and with her debt reduced, in striking contrast to the rest of the world, you may be surprised. But we have only ourselves to thank. Our official pronouncements in the pre-war period irritated those who wanted us to go and upset those who wanted us to stay. A nationalist pamphlet in my hands records sixty-one alleged promises on our part to leave Egypt. Since the war we have blown hot and cold alternately and this has further shaken confidence. People differ about what we ought to have done. Some favoured the stiff upper lip we showed in 1919 when we sent Zaghlul to Malta ; sympathy throughout was prescribed by others. Lord Milner is blamed for negotiating. His report is said to have forced our hand. Lord Allenby is criticised for giving away the protectorate without getting the reserved points settled. We could, such critics say, have got an agreement in 1920. I won't attempt to say which of these policies is right, but I am sure it cannot have been right to try them all in turn.

Nationalist grievances go further back than you may think. It was we, who in the first half of the 19th century, after their conquests in Arabia and Asia Minor, checked the victorious armies of Mohamed Aly at the very gates of Constantinople. Egypt was thus, they complain, cheated of the independence which Serbs, Bulgars and Roumanians were encouraged to win. They believe that otherwise she would have taken Turkey's place and recovered the leadership of the Moslem world which she lost when the Caliphate was removed to Stamboul over four hundred years ago. We thwarted them, they say, expressly to keep Islam weak, the old policy of the Crusades. Well, it is sometimes good to read history in other peoples' primers.

Yours ever,

# Letters from Egypt

LONDON,

*April 12, 1922.*

MY DEAR R——,

I now come to the question of our own policy, but I must first be clear about our Imperial interest. We went to Egypt in 1882 to preserve life and property. We stayed there to keep order. But our ultimate aim has always been, though it has sometimes got into the background, to establish an Egyptian Government that can stand on its own legs. But there is another consideration, and its vital importance has been emphasised by recent events. The Suez Canal is, as Egyptians themselves recognise, an indispensable link in our communications with the East and Australasia. It would be fatal for us if it fell into hostile hands.

I went to Egypt with no preconceived ideas, and I have been groping my way. I have avoided making up my mind until now, for once conclusions are formed facts have a way of marshalling themselves to support them. The first thing is the object in view. I am convinced that there is to-day no alternative except the establishment of complete self-government at the earliest possible moment. By that I mean a Government solely responsible to the Egyptian people, which it will recognise as its own for better or worse; a Government that can stand alone without outside support. To help such peoples to arrive at self-government is part of our mission in the world. It is a principle that has often been put forward in *THE ROUND TABLE*. It is impossible not to sympathise with those who want to stand on their own legs; but in this case, I confess, I have misgivings, not about the principle, but the time for its application. I should, I frankly admit, have preferred to wait till the country was more ready. It is not that ability is wanting in the upper classes, or even backbone—though the latter quality is rarer—and there is also administrative experience. But with 92 per cent. of the people illiterate,

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and with the past history of Egypt in mind, no one can feel sure of success. There must, in any event, be a long, trying period. The temptation to the ruling class to look upon the backwardness of the masses as the surest guarantee of their own power will be great. Some of our own European aristocracies were once not above suspicion on this score. It is certainly up to Egyptians, especially educated Egyptians, who are primarily responsible for forcing on the change, to combine, as we did in South Africa, to make it a success. Personal quarrels, such as helped to spoil the negotiations, would be fatal. But it is impossible for us now to look back. The world has been moving too fast. As long ago as 1909 the distant victories of Japan quickened the Egyptian pulse, already stirred by the Young Turk movement of the previous year. Then came the war, and Egyptian men and Egyptian products helped us to win it. The Allied professions of faith during it went far beyond the ears to which they were addressed, and they have already been given effect to in parts of the East which are certainly less civilised than Egypt. She herself has one foot in the West, but even the East in her after the Armistice was in a glow of expectation.

Nor was it only President Wilson who excited these hopes. Our own acts and words have done the same. And they began long before Mr. Lloyd George's war speeches with the professions of our statesmen, to which I have already referred. Of late years we have wavered. Once in 1921 a British Minister seemed to favour making Egypt part of the British Empire. But the real milestones lead forward. The conciliatory programme which began with Zaghlul's release, then the Milner report in 1920—the British Government never approved of it, but it published it without comment. Then early in 1921, the promise to consider the removal of the Protectorate, and later in the same year the negotiations with Adly Pasha in London. The tone of the Curzon note last December was a damper, but it followed the same principles ; and lastly,



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there is the Allenby Declaration. In the words of the accompanying note: "His Majesty's Government's most ardent desire is to place in Egyptian hands the conduct of their own affairs," and "constitutionally responsible government" was what it had in view. The Protectorate has now gone by the board, and Egypt has been recognised as an independent country. Clearly we must go forward. We cannot eat our own promises. "The word of an Englishman" once had a proverbial value in the East; it was one of our greatest assets. Continuity of policy, moreover—and British control would depend on it—is to-day more impossible than ever. Who, as Lord Birkenhead asked, could guarantee twenty years of conservative government?

But, you may say, why not have a gradual scheme as in India? Some people think it the only way. Others prefer half a loaf to no bread. But, whatever its attractions, it would not work. You cannot expect a real sense of Egyptian responsibility as long as imposed British officials remain in the government system. However curtailed their powers, they will always, for the mass of people, be the real power behind the throne, even if they do not actually drift back into the old relations. It takes a good deal to get through a scepticism born of forty years of "advice." In the second place, such a scheme would be bad for us. Our representatives would find that they had lost the power of preventing deterioration, and yet their presence would inevitably associate us with it. It would also handicap Egyptian Ministers, for they would still be looked upon as our puppets. All government might thus come into disrepute. There are the same objections to force from outside. As long as the maintenance of authority requires British troops in Cairo and Alexandria, our object cannot be said to have been attained. India is different. There we have a special duty, for she is part of the Empire. Every ryot and every outcast is as much a citizen of it as you or I. Then there is the complication

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of her medley of races, castes and religions. Whatever the risks a gradual scheme was essential for her. The aim there, moreover, is Dominionhood, not independence, which all classes in Egypt have demanded.

But, you will say, if we cram on too much sail suddenly the Egyptian masts may snap. I admit it; but the risk must be accepted. We can, at all events, give whatever assistance the Government will take. There is no objection to it voluntarily engaging British officials—and a few men of experience would be better for the new regime than a large number of subordinates. But they must be its own servants. Advisers are really ours. It is our interest as well as our duty to give the new system as fair a start as we can. Failure would be as bad for us as for Egypt. But even if government does get worse, our interests need not necessarily suffer, if it does not go beyond a certain point. One thing, however, we cannot tolerate. No other Power must occupy the country in the event of a breakdown. We cannot afford to see the Canal pass to other hands.

This brings me to the foreign problem. No other country has one like it. It comes from Egypt being a *carrefour* where all the nations meet. There are more than 150,000 foreigners, many of them permanent residents. The problem affects self-government in several ways. In the first place, it will start with the incubus of a privileged class. Foreigners, as you know, enjoy under the capitulations an exceptional position which practically amounts to extra-territoriality. They cannot be taxed without the consent of their Governments. If they commit crimes, they can only be tried by their own consular courts,\* and they have no responsibility for the defence of their adopted country. A state within a state is bad enough, but in Egypt there are many states. From the point of view of

\* In one or two instances particular offences can be tried by the Mixed Courts. These courts, though an international institution, are a valuable one. They try all civil cases between foreigners of different nationalities, or where one of the parties is a foreigner. Their impartial justice encourages foreign enterprise of the most desirable kind.

## Letters from Egypt

justice it is a pity, because foreign criminals sometimes go scot-free, and it is a bad example. From that of finance it is even worse, as the basis of the taxation cannot be broadened. For in practice it is impossible to get fresh impositions agreed to, and as it is unfair to ask Egyptians to pay taxes from which foreigners are exempt, the Administration has to rely upon one or two inelastic sources of revenue, like customs and the land tax. In consequence, all kinds of reforms, education among the rest, have had to wait, and municipal as well as central government is affected. A privileged class will be a sure source of trouble under democratic institutions, especially an outlander one. The Egyptian masses are at present too ignorant to grasp the position, but with the spread of education resentment will grow. The British occupation, too, has diverted attention; but under a responsible system Ministers are sure to throw the blame on the capitulations when they can. Foreign privileges were, as a matter of fact, one of Arabi's war cries; and if we want xenophobia to die out there must be no grievances to feed it. And if internal trouble does come, it is on our heads that it will recoil, for it will lead to complications with the Powers. It is easy to see why the Milner Commission wanted the capitulations done away with. But at the moment neither Egyptians nor foreigners share its view. I will come to the Egyptian objection in a moment. For the foreign point of view, let me quote the actual words used to me by a Frenchman at Alexandria: "Either the capitulations or security. We must have one or the other." And it is understandable. It is only a year since the Alexandria riots and, though the attack was mainly on the Greeks, it was also, according to the Commission of Enquiry, directed against all foreigners and deliberate and premeditated. One of the ominous features was that the trouble began, as in 1882, by a purely Egyptian dispute. Any excitement is considered likely to take an anti-foreign direction, and there may be some under responsible government. Foreigners are unlikely

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at the very moment a new experiment is to be tried to give up anything.

Neither the capitulations, however, nor the Mixed Courts and the *Caisse de la Dette*\* will protect their lives and property if there is disorder. How is such protection to be given? For the Monroe doctrine proclaimed by Mr. Lloyd George entails obligations as well as rights. Is it necessary to keep the British garrison in the towns for this purpose? Law and order should clearly be a matter for the Egyptian police and army. Unfortunately at Alexandria the *bulak el ghafer* and the Egyptian soldiers last spring, according to the finding of the Commission, joined in with the mob and themselves fired on Europeans. Nor were Greeks the only victims. What, then, are the remedies I would propose? There are other things to be considered, but I do not think it either advisable or necessary to keep our army in Cairo and Alexandria simply to protect foreigners. In the long run, the only real guarantee will be the creation of a sense of Egyptian responsibility and, as long as our men are there as a reserve, this will never grow. Whether their presence would act as an irritant or a sedative, I cannot determine, but I am sure it would involve us in troubles which we have every reason for keeping out of. British bayonets might even find themselves bolstering up oppression. But apart from that, you cannot expect Englishmen to stand calmly by if they see danger to life or property. Only the other day at Cairo an Egyptian attacking an Omda was, I heard, arrested by one of our police under the noses of the smiling Egyptian soldiery. Fortunately xenophobia proper is rather an Alexandrian than an Egyptian problem. Our own people

\* As regards the Egyptian debt, given a reasonable degree of stability, the foreign bond-holder seems to have little cause for anxiety about the £4½ odd million due each year. The public revenue from receipts of a permanent character for 1921-22 was over £28½ million. One-third of the debt is now, it is computed, held in Egypt and the net accumulated resources acquired by Egyptians during and after the war still amount, it is estimated, to £85 million.

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have often been sniped in Cairo of late years and there was the insurrection in 1919, but the motive was political. I have not heard of indiscriminate attacks on foreigners generally except at Alexandria. Last May, indeed, though Greeks were living all over the country, Europeans were apparently unmolested elsewhere. Luckily, Alexandria is a seaport and handy for warships. For the rest, I should stiffen the European element in the police. There are already between 100 and 200 Europeans in it, and if a British Commandant is retained it would be a better plan than forming a special British constabulary, which would go to seed from pure inaction, as it could only be used in rare emergencies. In case of extreme necessity it would be possible to rush up British troops. Foreigners living up country would, I think, have to accept the risk.

And there would be other advantages in keeping our forces at a distance. In Cairo or Alexandria there would be only a shadowy borderline between passivity and Prussian methods. But the mere fear of our coming back from the Canal would act as some check on mischief makers. We should also be far less "in the air" for the purpose of communications. Whatever place may be agreed upon for our troops, it will take time to complete the necessary preliminaries, but the sooner they can begin the better. I cannot see why eventually we should not keep our main force for this side of the Middle East just across the Palestine border, with an outlying detachment somewhere near the Canal, at Ismailia for choice. The drawback to the far bank is that we could not cross without entering the internationalised zone. As for the fresh water difficulty, it could, I believe, be got over. Even from the military standpoint there can be no advantage greater than the goodwill of the Egyptian people.

Then there are foreign affairs and diplomatic representation. I used to favour keeping them in our own hands, because it is we who, in the last resort, will have to defend Egypt. With internal and external matters, however, inter-

## Letters from Egypt

tangled as they are there, I now think it better to content ourselves with keeping a close touch and the right to be consulted when political agreements are proposed. If every petty point affecting foreign interests should be attended to by us, it would prevent the growth of an Egyptian sense of responsibility. Far better that Egyptians should do the haggling themselves and only come to us in the last resort. Our rôle would thus be less invidious. We should, I hope, come to be regarded as a beneficial force in reserve, whose assistance could be invoked for just purposes. This system would, of course, leave Egypt with her own foreign office and diplomatic machinery. It would also mean leaving her a free hand in commercial arrangements, except that we can, I think, reasonably ask for most-favoured-nation treatment.

But, you will ask, what are we going to do about the capitulations themselves? For the moment, the question must clearly be dropped. The attitude of foreigners I have already explained. Their official world is, I gather, in no hurry to let us champion their nationals, and Egyptians are not in a mood, whatever the advantages, to substitute British for the international machinery as Lord Milner proposed. On our side, the last thing we desire is to add to the contentious subjects. And, however urgent the need of reform, if British judges were straightaway substituted for the Mixed Courts, and British Commissioners for the capitulations and the *Caisse de la Dette*, the public would, I think, still look upon their Government as controlled, and as long as that idea exists, there will be no politics in Egypt except the national question. Once, however, there is a Government which Egyptians recognise as their own, there will be better perspective, less risk of misconception and foreigners may lose their suspicions of our motives and their fears for their own safety.

The Soudan is too large a subject for this letter. Extremists talk of the whole Nile valley for Egypt as far as the Great Lakes, and the subject is being kept very much

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in the limelight. On our side, we feel strongly our duty to the Soudanese. I think, however, that if the atmosphere improves a settlement should be possible on the lines of the 1899 pact. Egyptians naturally want to keep their rights alive and are anxious about their future water supply, for their population is growing fast. The diversion of the Nile was beyond the Khalifa's means, but it would not be beyond ours. They are, I think, entitled to be satisfied on these points. They no doubt gain by having an orderly country on their southern frontier, but the air will be clearer when the Soudan can pay for its own troops, instead of Egypt having to find them, as in the past. Egypt has also at times met the deficits of the Soudan and loaned money to it without insisting upon interest.\*

Next letter I will consider our prospects of getting all these questions speedily settled and of the early establishment of complete self-government.

Yours ever,

LONDON,

*April 15, 1922.*

MY DEAR R—,

I have given you my general conclusions, but there are certain difficulties in the way of giving effect to them.

Lord Allenby's note to the Sultan contemplates the establishment of "constitutionally responsible government," the only alternative which, in my opinion, in spite of its risks, remains open to us. The present Egyptian Ministry is not a Government of that kind. Its mission is to prepare the way for the general elections which are intended to bring such a system into being. Even the elections, however, could not of themselves transfer the whole responsibility to the Egyptian people. For that,

\* According to the newspapers the Government Committee which is drawing up the Constitution have treated the Soudan, which is one of the subjects reserved by the Declaration for discussion, as part of Egypt.

## Letters from Egypt

as I have already pointed out, the British troops must also leave the capitals and all the advisers be withdrawn, which depends on the points reserved by the Declaration being settled. But even for this we shall probably have to wait, for so important a settlement will, I expect, require the authority of a Government that Egyptians recognise as their own choice. The present Government would, I feel sure, be afraid of coming to any compromise that could supply its enemies with a handle. You will remember how when Adly was in London last summer, it was spread about that "the national heritage" was being impaired. From the Government standpoint, too, there may well seem to be no particular reason for hurry. Failure to come to terms would not deprive Egypt of the protection of our fleet, and in the present temper of the Egyptian army our troops may be needed for a time to make sure that authority is maintained.

I have explained the details that have to be discussed, but more turns on atmosphere than details, and this, too, is unlikely to improve until there is a *pukka* responsible Egyptian Government. When there is one, it should, I think, get better, because there is no real clash of interests. The guarantee our sea power gives is as indispensable to Egypt's independence and to her cotton trade as it is essential for us that the Canal should not fall into hostile hands. Further, in spite of political bitterness and some resentment at our social exclusiveness, there is no real antipathy between British and Egyptians. Something will, no doubt, turn on the form in which our proposals are put.

Everything, then, it would seem, depends upon the general elections. How soon will they take place? It is an important point, because, although a short interval would not matter, a long delay would be dangerous. For we have already relaxed our control. The Advisers to the Ministers of Education and the Interior are leaving immediately, and though the Financial and Judicial Advisers



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are staying on, their functions have been changed. The former was described in Lord Milner's book as the cornerstone of British influence inside the Egyptian Administration. His position was practically that of the Tribune of the People in ancient Rome. In future the Financial Adviser will no longer attend the Council of Ministers and executive responsibility will, I understand, be entirely theirs. Egyptian under-secretaries had already been appointed before I left Cairo. Such steps give the lie to those who say that the Declaration consisted of mere empty phrases; but if the present state of things were to be indefinitely prolonged they might involve grave consequences. I do not agree that it does not matter to us, as the *beati possidentes*, what happens while we retain the "strong hand." The whole success of the new regime—and Egypt and Great Britain are both interested in it—depends upon the entire responsibility being put, without delay and beyond dispute, upon Egyptian shoulders. The "strong hand," too, is in any case an expensive luxury. As things are to-day, we run the risk of that very association with the mistakes or misdeeds of Egyptian Governments which was my main objection to a gradual system. Well, the present Prime Minister is no favourite, but he and his Minister of Finance have ability and experience, and the elections are—if the papers can be trusted—to take place next spring, so there is not, apparently, long to wait.

There are, however, unfortunately difficulties in connection with the elections themselves, and they may not after all cut the Gordian knot. Whichever way they go, we must be prepared for trouble. If the Government should be defeated and sentiment remains what it is to-day, there would be a single plank in the platform of the victors—the return of Zaghlul. If the elections took place at once the Government would, I believe, lose them. Its chances should improve during the next twelve months, for it has many advantages; but the possibility of defeat cannot be left out of account. Much turns on the price of cotton.

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It is above the pre-war figure, but very low compared with 1920. The Nile, too, is going to fail for the second time running. Facts like these are bound to tell with peculiar force against Sarwat, for his Cabinet starts unpopular. One cannot go by the festivities at Cairo on March 20, when thousands of notables from different parts attended at the Palace. In the East such things happen. At night the banks and the Government offices were at all events oases of light in unilluminated streets. More significant still, though the police behaved well, the native infantry on street duty openly showed their sympathy with Zaghlulist demonstrators, which supports the common belief that the rank and file and junior officers are generally for Zaghlul.\* Honour was, as you may remember, paid to him by Egyptian troops last autumn in Upper Egypt. Whether Saad is to be allowed back in the future is a matter for the authorities on the spot. It was considered last December that the public safety required his deportation. They alone can decide whether it will prevent his release. *Salus populi suprema lex*. But there is another uncertainty. No one knows whether, in the event of a victory at the polls, he would accept office or become a wrecker.

Well, to return to the Government's prospects. A good hand does not necessarily mean the rubber, but Sarwat starts at any rate with most of the court cards. In the first place, though government in Egypt is always disliked—a legacy from centuries of despotism—it none the less enjoys extraordinary prestige. It is partly respect for power *qua* power. The peasant has never thought for himself and does as he is told except in times of exceptional excitement. It is partly because of what power can do. Officialdom in the provinces is ever anxious to anticipate the wishes of the authorities upon whom its prospects

\* According to *The Times* of May 9, six officers of the battalion concerned, including a major, have, as the result of a Court of Inquiry, been placed on half-pay for this affair.

## Letters from Egypt

depend. It supplies a system which would be the envy of an American party boss. If the great landlords were also on his side he would hardly have to take other active measures. The only fear would be of something happening that seriously shook the general confidence on which such complaisance depends. Even rats leave a sinking ship.

Then the difficulty of getting any approach to ordinary election conditions also tells against the Government's opponents. Martial law is not likely to be done away with for some time to come, for an act of indemnity has first to be passed and, even if there were a parliament to pass it, foreigners are affected, so the consent of their Governments will presumably be necessary. But even the suspension of martial law contemplated by the Declaration, to allow of "the free exercise of the political rights of Egyptians" will be far from easy. Imagine a Limehouse speech in Alexandria! There seems to be plenty of freedom of the Press as far as criticism of ourselves is concerned, but Zaghlist propaganda is forbidden as seditious. The Zaghlist leaders are, in any case, no longer there to agitate, and their funds are said to be low. All of this will tell in favour of the Government.

And as regards the reforms themselves, the position is not the same as in India. In Madras the Provincial Council elections resulted in a victory for the depressed classes. But there we ourselves were responsible, both for the electoral law and for the elections. Here it is out of the question. The British note to the Sultan expressly says that "the creation of a Parliament with a right to control the policy and administration of a constitutionally responsible government is a matter for Your Highness and the Egyptian people to determine." The responsibility is therefore the Egyptian Government's and a committee, appointed by it, has for some time been at work upon the new constitution. Our duty is restricted to seeing that the intention of the Declaration is given effect to, but that duty we must scrupulously perform.

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The consequences of a Government defeat I have already considered. But danger may also attend a Government victory, perhaps a more subtle one than disorder. Its advantages may well secure it success at the polls, but suppose the Egyptian people should decline to accept the victors as their own choice! We should then be as far as ever from our goal. Force would still enable Government to carry on, but force is a poor substitute for public support, especially if it has to come from outside. Well, these are risks that we must face. Egypt to-day is like a ship trying to get clear of the wharf. Tugs have pulled her head round, most of the ropes have already been cast off, steam is up, hats and handkerchiefs are waving, but she cannot start on her new venture for she is still tied by the stern, and she will remain so until circumstances permit of the final transfer of responsibility.

Yours ever,

# UNITED KINGDOM

## I. CURRENT POLITICS

### *Mr. Lloyd George's Offer to Resign*

THE General Election controversy which filled the opening weeks of the year quickly raised and gave way to a more general discussion of the future of parties centring upon the plans and prospects of Mr. Lloyd George and, in particular, his relation to the Conservative Party. Sir George Younger's public veto in advance upon an early dissolution was a calculated indiscretion which compelled Conservative adherents of the Coalition to consider a possible choice between the leadership of Mr. Lloyd George and the interests of their party organisation. Apart from the Die-hard section of the Party—who had already made their choice—there was little enthusiasm over the prospect. The desire to maintain the unity and the distinctive character of Conservatism in the constituencies was balanced by the fear of electoral consequences should the Party take the field without the reinforcement of the Prime Minister's ability and prestige. A purely Die-hard appeal was likely to have a cold reception. Twelve years have passed since the country was last consulted upon strictly political issues. The old party loyalties have grown dim and confused. The extension of the franchise has brought into direct participation a new mass of voters, mainly unattached and uncommitted to any party tradition. These changes have reduced political prophecy to guesswork.

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But if one thing seems certain, it is that the electorate of to-day, above all under the prevailing stress of taxation and unemployment, will put construction before conservation. At the same time, a Lloyd George programme without Mr. Lloyd George is out of the question. It would make the worst of both worlds. It would still antagonise the stricter Conservatives, whose influence is strong in the local associations and through the party chest, and it would be emptier than *Hamlet* without the Prince of Denmark.

While Conservatives might murmur against the disadvantages imposed on them as members of a Coalition and supporters of its half-and-half policy, they were certainly unprepared as a whole for a break with Mr. Lloyd George. But whether Mr. Lloyd George himself was prepared to continue as leader of the Coalition with only grudging and limited support from its more important half was now the question. Sir George Younger had struck a blow for the integrity of his party, but it was a blow which threatened to leave it in an unlooked-for, unwelcome and unsafe condition of independence. The Conservative leaders now bent themselves to the task of holding together both their party and the Coalition, while Mr. Lloyd George awaited some assurance that confidence in his leadership had not been withdrawn and some amends for the open slight, as it was generally felt to be, which Sir George Younger's declarations had put upon it.

Matters were not improved towards the end of February by two Conservative speeches, the emphasis of which still lay on obligations to orthodox Conservatism rather than to the Coalition. Mr. Chamberlain assured the Central Council of the National Unionist Association that nothing in the nature of another "coupon" election was contemplated. He and Mr. Lloyd George would each address their own constituents, though not without an understanding as to what they wished to do and how they wished to do it. On the following day Sir George Younger held before the women's branch of the Association a prospect

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not of coalition, but of "a sort of co-operation" with the National Liberals.

These explanations, and Sir George Younger's in particular, rather aggravated than repaired the damage. Instead of the expected protestations of loyalty to the Coalition, Mr. Lloyd George had received a proposal which almost amounted to notice of its termination. Co-operation as an alternative to coalition might mean anything, and probably meant nothing. Some of his strongest supporters were now urging Mr. Lloyd George either to insist upon his own plan of an immediate General Election and to put his Genoa policy before the country for approval, or to free his hands by resigning and leaving a Conservative Ministry to carry on the King's Government until an autumn election. The way would then, they argued, be open to a reunion of the Liberal party and the simplification of politics along trusted and familiar lines.

At the end of February Mr. Lloyd George took a definite step to clear up the uncertainty of his position. In a private letter to Mr. Chamberlain he asked him to explain Sir George Younger's phrase and to define his own and his colleagues' attitude towards the unrest in their party. The request was accompanied by the offer to resign and make way for a purely Conservative Ministry, which, as long as it pursued the policy of the Coalition, could rely upon his support from outside. Before an Oxford audience on Saturday, March 4, Mr. Chamberlain made public his own and his colleagues' reply. They were unanimous in their opinion that the national interest would be injured by the Prime Minister's resignation, and that they would be false to it if they accepted his offer. On the following day Mr. Lloyd George came up to London from Chequers and conferred with Conservative members of his Cabinet. After a full discussion, which is said to have carried the survey of Coalition fortunes well into the future and in the direction of a united party, Mr. Lloyd George postponed his resignation, and the "crisis" was over. Exceptional

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interest was now taken in a speech which Sir Arthur Balfour was to make in the City two days later. Sir Arthur, known as a strong Coalitionist, was expected to speak his mind to the dissident Unionists, and even to lend his great authority to the principle of fusion. These anticipations were disappointed. The speaker did not go beyond a defence of the Coalition as indispensable, though he described it as a national party with two wings. The whole episode had shown that the Conservative Party was ready neither to break with its Die-hards nor to part from Mr. Lloyd George. Mr. Lloyd George, for his part, showed equal disinclination for any heroic departure. Politics have not moved nearer either to the Centre Party or to Liberal reunion. Any considerable change of grouping is not to be expected until a General Election has shaken the dice again and shown the leaders where they stand. They will cross their bridges when they come to them.

### *The Genoa Preliminaries*

The smoothing out, at least for a time, of the Coalition's difficulties had cleared Mr. Lloyd George's way to Genoa. He would have preferred to refresh his mandate by a General Election before undertaking his ambitious task of re-erecting the Concert of Europe upon a basis of stable peace. Now, with his personal authority not a little shaken abroad as well as at home by the flaws disclosed in his parliamentary foundations, the second-best course was open to him of challenging in the House of Commons a vote of confidence in his Genoa policy. In the meantime he had caught a chill and withdrew to Criccieth for a much-needed rest, pursued, even to that retreat, by a company of journalistic augurs bent upon reading political omens in the potatoes he set and the fish he caught. For his "dark and doubtful adventure" he required his full strength. Its European importance apart, the Genoa Conference undoubtedly holds a big stake both for the Coalition and for Mr. Lloyd



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George himself. If he returned successful he would return no longer a Prime Minister on sufferance and he would regain on the eve of the elections the initiative and control lost to him when he accepted a virtual defeat at the hands of the Unionist party-managers. Much will turn on what happens at Genoa.

The debate took place on April 3. It was flat and unimpressive. A mechanical majority recorded the necessary decision. The Prime Minister's own speech was dull and colourless. The set speech of careful phrasing gives his special gifts no scope. From his point of view the only useful purpose served by the debate was to parade the numerical, if not the argumentative, insignificance of the Opposition. It was a feeble send-off for Genoa, to which the interest of British politics now shifted. The last and liveliest echo of the whole controversy was heard in the House of Commons the same week when Sir William Joynson-Hicks moved a "die-hard" resolution of no confidence. Mr. Chamberlain scored effectively on this occasion with a speech that satirised in sparkling fashion the virtuous pretensions of the Die-hards. It was a personal success in an unsuspected vein which won Mr. Chamberlain's powers increased respect both from the benches behind him and from his fellow-Unionists of the Opposition. The issue raised in January by Sir George Younger was now closed and remains in abeyance until it is re-opened, possibly in a new form, by the achievements or non-achievements of Genoa and by the Prime Minister's return.

### *The Montagu Incident*

We must turn back at this point to an incident not without influence on the political situation generally and important as raising a vital question of constitutional practice. On the initiative of the British Government an Allied Conference had, after considerable difficulties, been arranged

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or in Paris in March with the object of revising the Treaty of Sèvres and restoring a common policy in the Near East. Shortly before the Conference the Indian Government had telegraphed to London the nature of the very substantial concessions to Turkey which it demanded on behalf of its Moslem subjects and requested permission to publish them in India. These were circulated to the Cabinet, but no Cabinet decision was asked or taken on them. A second telegram repeating the first request was then received. On his own responsibility Mr. Montagu replied giving the permission requested. Ministers and the public first learnt from the newspapers that these sweeping recommendations had been given to the world as the official policy of one of the Governments of the Commonwealth. Mr. Montagu's resignation followed as a matter of course. The Prime Minister's letter accepting it stated very clearly the nature of Mr. Montagu's offence.

In the first place, "such action," he points out, "is totally incompatible with collective responsibility of the Cabinet to the Sovereign and to Parliament."

In the second place, to quote again his actual words :

If the Governments of the Empire were all to claim the liberty of publishing individual declarations on matters which vitally affect the relations of the whole Empire with foreign Powers, the unity of our foreign policy would be broken at once, and the very existence of the Empire jeopardised. The constitutional impropriety of the precedent which your action, if unrepudiated, would have set in this respect must surely be apparent to you as a matter quite unconnected with the right of the Government of India to urge its views on any particular question or the particular merits of that Government's case.

The moment chosen for your action is, moreover, indefensible from the standpoint, which must govern our action, of broad Imperial interest. A conference on the Near East is about to take place. The questions that will be there discussed are of the utmost delicacy ; the weight of responsibility which the Foreign Secretary will have to carry will, in any case, be most serious ; and your action has added considerably to the difficulties of a task which was already difficult enough. The public consequences of this course of action must inevitably be serious.

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Mr. Montagu—who, it must be remembered, had submitted for months to relentless Conservative attacks—did not wait to explain his action in Parliament. He went down at once to his constituents and at a hastily arranged meeting endeavoured to justify himself. He declared that he had been sacrificed to the Prime Minister's difficulties with the Die-hards, that the doctrine of Cabinet responsibility had become meaningless under the present Government, and that he had only sanctioned the publication of views which were already notorious. He complained that Lord Curzon had known of his action in time to stop it, but had contented himself with sending a "plaintive, hectoring, bullying, complaining" note; a charge to which Lord Curzon was able to give a complete answer later in the House of Lords.

With the personal aspect of this incident we are not concerned. Our readers will long ago have formed their own idea on that side of the matter. The numerous people who regretted Mr. Montagu's departure from the India Office cannot fail to have regretted its cause even more; while those who were least in sympathy with his policy, who had had, as he remarked, "the exquisite satisfaction of receiving my head on a charger," probably found most that delighted them in his indictment of the Cabinet of which he had just ceased to be a member. But we are concerned with the vital principles which were infringed by the publication of the cablegram from India; and, in our view, Mr. Lloyd George's censure was thoroughly justified. If latitude of that kind were to be tolerated, it would strike at the root both of Cabinet government and of the unity of Imperial policy.

Our own views on the subject of the Treaty of Sèvres were expressed in an article on the Near East \* which appeared in *THE ROUND TABLE* last March; but our opinion of Mr. Montagu's action is independent of the merits of any particular policy.

\* *ROUND TABLE*, No. 46, March, 1922, p. 319.

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## *The Grouping of Parties*

Mr. Montagu's resignation meant another loss to Liberalism in the Coalition Cabinet. Only two days earlier Sir Gordon Hewart, the Attorney-General, had succeeded to the Lord Chief Justiceship, which he had forgone a year before at the Prime Minister's request. Two of the ablest of the Prime Minister's colleagues, the two in closest personal relationship to himself, had thus left the Government within a week. Their successors were Unionists. Lord Derby was offered and refused the India Office on the ground that he could better help the Government from outside. After the Duke of Devonshire had also declined the offer it was accepted by Lord Peel, then Minister of Transport. Lord Winterton became Parliamentary Under-Secretary. Sir E. Pollock followed Sir Gordon Hewart as Attorney-General, and was succeeded by Sir Leslie Scott. A few weeks later Lord Crawford, First Commissioner of Works, was promoted to the Cabinet. All these were Unionist appointments. The Government's centre of gravity had shifted very considerably to the right. Another Liberal Minister, Sir Hamar Greenwood, occupies the expiring office of Chief Secretary for Ireland.

Before these manifestations of Conservative influence and the efforts of the Die-hards to stampede the Conservative Party out of the Coalition, it is hardly surprising that the National Liberals have been tempted now and then to send appealing glances in the direction of their Independent fellow-Liberals. Independent Liberalism has made it clear, through a pronouncement by Lord Gladstone, that recantation must precede reunion. No one will easily picture either Mr. Lloyd George or Mr. Churchill on pilgrimage to Canossa. Moreover, Independent Liberalism has been holding out the left hand rather than the right. But Labour sturdily refuses to grasp it. On this question of

## Economy and the Budget

co-operation with Labour there is a marked division among Mr. Asquith's following. A factor in the Conservative success at the by-election in West Wolverhampton was the offence given to local Liberals by a Free Liberal whip, member for another division of the town, advising them to vote for the Labour candidate. The Die-hards are now a compact, convinced and articulate group, though they lack a leader. Lord R. Cecil, with his handful of adherents, is separated from Liberalism by the slenderest barrier of tradition, a respected but always isolated figure. In a recent manifesto he has tried to marshal out of the prevailing confusion the forces that move midway between revolution and reaction. But its interest remains academic. No appeal will effect a change until after, and as a consequence of, the next General Election. This is now due for the autumn, but may well come sooner. The Free State Act is through. The Budget is dealt with on a later page. It has disclosed a modest fulfilment of pledges to economise and reduce taxation. Genoa alone remains; and there, with the Prime Minister and his handling of our disagreements with France, may be found the key to the position.

### II. ECONOMY AND THE BUDGET

**I**N the last number of *THE ROUND TABLE* we dealt with the main features of the first two reports of the Geddes Committee on the National Expenditure. The final report, which was issued subsequently, brought the total of the savings which the Committee recommended to £87,000,000. The Committee took no account of the economies made possible by the decisions of the Washington Conference, but expressed the opinion that these, with one or two other items contingent on naval and military policy, should bring the total reduction up to not less than the £100,000,000 which the Committee had set out to discover.

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We suggested that no Government which failed to put in force economies in one form or another at least as extensive as those recommended by the Committee could be said to have met the needs of the financial situation. That opinion has been strengthened by what has happened since it was expressed, and particularly by the financial problems revealed in the Budget. The Government accepted only about two-thirds of the economies suggested by the Committee, and that after allowing for Washington. The Admiralty, in particular, stood out successfully against many of the Committee's proposals, and the Naval estimates remain at a figure which it is difficult to justify. Opposition in the country would have made it impossible to adopt more than a fraction of the Education cuts, even if the Government as a whole, as there is no reason to believe, had shared the Geddes Committee's view of educational expenditure. So we are left with a list of savings which, though extensive, must still be regarded as partial.

The Budget was introduced on May 1. The accounts for the year 1921-22 showed that the revenue was £1,124,000,000 and the expenditure £1,079,000,000. There is thus a surplus of £45,000,000 to be applied to the redemption of debt. The estimated revenue for the current year is £910,750,000, and the expenditure £700,000 less. With receipts on the same basis as last year, Sir Robert Horne found that he would have a surplus of £46,000,000 if he made no contributions from revenue to sinking funds but met his statutory obligations on that head by borrowing. The Government determined to take that course and to use the surplus for remissions of taxation, direct or indirect. The standard rate for income tax was accordingly reduced from 6s. to 5s., 4d. a lb. was taken off tea, with consequential reductions in the duty on cocoa, coffee and chicory, and the estimated Post Office surplus of about £10,000,000 was applied in providing cheaper postal rates, greater facilities, and lower telephone charges.

## Economy and the Budget

This cannot be called in any sense a popular Budget, though it has been generally accepted as a reasonable one. In the event of an election it might even prove to be definitely unpopular, since it is open to the obvious if superficial criticism that it is a "rich man's Budget." At least the Chancellor has avoided many pitfalls into which different interests tried hard to lure him. He has not followed the advice of those who clamoured for 2s. off the income tax without indicating where the money could be found. He has steered safely between the Scylla of borrowing under the thin disguise of capitalising the war pensions charge and the Charybdis of the electioneering allurements of a thumping drop in the beer excise. Borrowing to pay the sinking fund is heresy to the orthodox, and if the country's foreign credit is damaged by our failure in this financial year to live strictly within our income, the orthodox will be right. As to the possibility of that result, it seems to us to be dangerous to dogmatise. The Government have taken a risk, but we have heard no arguments adequate to support the view that it is a risk which no one but a desperate gambler would have taken. It was either that or the maintenance of the income tax at 6s. The remission of 1s. seems hardly likely to rehabilitate British trade, but it has a certain psychological value because it banishes an obsession. To 99 people out of 100—manufacturers, traders, bankers, clerks—the iniquity of the 6s. income tax had become, in fact, an obsession. It is conceivable that a man would be justified on psychological grounds in taking his wife to the opera in defiance of financial scruples, and even though he knew that if he did so his gas bill would have to stand over until next month. By the same reasoning we think it conceivable that "raiding the sinking funds" in this year's Budget was sound policy.

But the Budget, as is clear from a cursory examination of the accounts, involves other risks than this. It contains little or no margin for contingencies. Revenue appears

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to have been generously estimated; only £25,000,000 are allowed for supplementary estimates, though in each of the last three years the unforeseen expenditure has amounted to more than £100,000,000. The real test for British credit abroad will come if there is a deficit at the end of the year. There is only one policy which can certainly prevent that result, and that is a policy of further stringent reductions during the year in expenditure. It is only necessary to glance a year ahead to see the imperative necessity of unremitting economy. The Budget of 1923-24 will present far more formidable problems than that just announced. The service of the American debt will claim a further £25,000,000, windfalls from the sale of surplus stores and other Government property will cease or dwindle considerably, income tax will be assessed not on two bad years and one good one but on three bad years. Not until then shall we be in a position to appreciate the true dimensions of the financial problem with which the war has confronted us.

### III. INDUSTRIAL DISPUTES

**T**HE last three months have been marked by differences between employers and workers in three of the country's most important industries—cotton, shipbuilding and engineering. The three disputes are of interest, apart altogether from their causes or their effects, as illustrating the very different degrees of cordiality (or hostility, as some may prefer to express it) in the relations between the national organisations of employers and workers in those industries.

The dispute in the cotton spinning and weaving industry did not involve a stoppage of work. The employers gave notice that a substantial reduction in wages was needed to bring about a revival in trade. The operatives considered the reduction excessive. Negotiations took place



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and although not immediately successful, ended in a compromise acceptable by both sides. Such an episode hardly merits the name of a dispute, and it is fortunately the form in which the differences—inevitable in any industry—are in the textile industry usually disposed of. Both sides are highly organised, and their organisations are in constant touch with one another in the everyday conduct of the industry. They are so much accustomed to compromise and friendly settlement that it becomes part of the game for one side to ask for more than it wants, and the other to offer less than it is prepared to give, in order that there may be a meeting place half way. This tradition may be ethically imperfect, but it is in practice invaluable. The negotiations may come to resemble a game of poker, but the players are well matched in skill and the play need leave no bitterness behind. It is a sound test of health in the organisation of an industry that a tradition of common interest formed in other times should be strong enough to withstand the storms and buffeting of the unprecedented conditions of to-day.

The shipbuilding dispute also turned on wages. The employers have for more than a year past seen their yards steadily emptying. No new keels have been laid down to fill berths as they became vacant. With a gross tonnage of shipping in the world 15 per cent. greater than in 1914, and a total volume of ocean borne trade certainly not less than 15 per cent. smaller, shipbuilding everywhere is inevitably a depressed industry. These universal reasons for depression have been intensified in the United Kingdom by the high costs both of new building and repair work here relatively to other countries and by the sale to British owners of a large part of the former German mercantile marine. Costs were kept up both by the level of wages and by the insistence of the trade unions on ancient and indefensible restrictions involving the continuance of obsolete and uneconomical methods of work. Stagnation in any industry tends to lead to the relaxation of restric-

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tions, and it was the other factor in costs—wages—which the employers in the early part of the year attacked. They demanded the abolition in one stroke of the whole of the war-time flat rate bonus of 26s. 6d. a week. Such a demand was bound to be resisted, and the failure of negotiations led to a cessation of work at the end of March. Only after some weeks and one adverse ballot has a settlement been reached, on the basis of an immediate reduction of 10s. 6d. and a further reduction, in two instalments, of 6s. Nothing more is to be said apparently about the remaining 10s. Although any general revival of prosperity in British shipbuilding can only follow a marked improvement in the trade position of the world as a whole—or, in other words, is not yet in sight—it is not unreasonable to expect that the wages reductions now agreed on will at least prevent a large part of the repairing work being sent, as in the past year, abroad, and will stimulate the laying down of those classes of ships of which there is a relative shortage and the development of new and more efficient methods of propulsion, such as the use of the internal combustion engine.

### *The Engineering Lock-out*

More important, because more serious in its results, than either of these disputes, and at the same time more interesting as a chapter in the history of the relations between employers and workers, is the lock-out in the engineering industry. The members of the Amalgamated Engineering Union were locked out from the works of all firms members of the Engineering Employers' Federation on March 11, and after prolonged negotiations the ban was extended in the middle of April to the 47 other unions employed in the industry. At the time of writing 750,000 engineering workers are unemployed, and the great part of the industry is idle.

It may be asserted with confidence that even now, after

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three months of negotiations and wrangling and such partial publicity as the Press has been able to afford, the ordinary citizen has no clear idea as to the causes of this upheaval. Every industrial dispute must contain much that is obscure to all except those engaged in the particular industry. This quarrel, if any ever was, is caviare to the general, and so remote are the formulas, the subjects of contention, from the common notions of practical affairs, that their meaning could hardly be more recondite if they were composed in Sanskrit. It is worth while, therefore, making some attempt to strip away dead husks and to examine what is beneath; there is at least the certainty of reaching sooner or later the bread and butter of 3,000,000 human beings.

The dispute has no direct or ostensible connection with wages. Engineering wages were reduced less than a year ago by agreement by about 14s. a week. The trouble began over an agreement which the Employers' Federation wished to make with the Amalgamated Engineering Union in regard to overtime and the exercise of managerial functions. After protracted negotiations the Executive of the union agreed last November to recommend for acceptance the following document:—

I.—(1) The Trade Union shall not interfere with the right of the employers to exercise managerial functions in their establishments, and the Federation shall not interfere with the proper functions of the Trade Union. (2) In the exercise of these functions the parties shall have regard to the Provisions for Avoiding Disputes of April 17, 1914, which are amplified by the Shop Stewards and Works Committee Agreement of May 20, 1919, and to the terms of other national and local agreements between the parties. (3) Instructions of the management shall be observed pending any question in connection therewith being discussed in accordance with the provisions referred to.

II.—It is agreed that, in terms of the Overtime and Night Shift Agreement of September 29 and 30, 1920, the employers have the right to decide when overtime is necessary, the workpeople or their representatives being entitled to bring forward, under the provisions referred to, any cases of overtime they desire discussed. Meantime the overtime required shall be proceeded with.

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In a ballot taken in January, by 50,000 to 35,000 votes, the union rejected this proposed agreement. The employers claimed that this decision was a direct attack on their right to manage their own works, and gave notice that members of the union would be locked out after March 11. Further negotiations, in which the Ministry of Labour took part, only tended to widen the differences between the parties, and the lock-out came into force on the appointed day. Meanwhile the other unions, 47 in all, employed in the engineering industry had been asked to subscribe to the memorandum in dispute. Pending a ballot of their members, the lock-out notices, so far as they affected these unions, were held in suspense. The ballot showed only 50,000 votes for acceptance and 165,000 against. Through a mediating committee appointed by the National Joint Labour Council (representing the Trades Union Congress and the Labour Party, in and out of Parliament), negotiations with the 47 unions were revived, and did not finally break down until the middle of April. The lock-out then became in effect a complete stoppage in the industry. Not until this position was reached did the Government accept the suggestion made some weeks previously by the mediators that it should appoint a Court of Inquiry under the Industrial Courts Act of 1919. An inquiry had all along been opposed by the employers, but at the end of April, under pressure from the Government, they were forced to accept one; and Sir William Mackenzie, the permanent president of the Industrial Court, was appointed to investigate the dispute. A court of this kind has no power to bind either side by its conclusions. Its value lies in the fact that it compels both parties to fight in the open, and to substitute proof for propaganda. At the time of writing the inquiry is still in progress.

This is a bald and much abbreviated record of the course of the dispute. What are the merits? The employers' contention is that there can be no efficient conduct of the industry unless they are undisputed masters in their own

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house. (We use here a phraseology which we think accurately represents the point of view we are describing, though we are far from suggesting that it has any absolute value, *e.g.*, that a works is in fact the employers' own house.) The management must have the power to determine when overtime is to be worked or to make changes in methods of operation, to substitute one type of machine or one class of labour for another. Admittedly under the terms of existing agreements with the unions or in accordance with traditional practice the workers are entitled to ask that any particular case of overtime or any "material change" in methods of operation should be discussed by the management with their representatives, but pending such discussion the instructions of the management must be carried out. Moreover it is for the management alone to decide whether any particular change is a material change and therefore susceptible to discussion. The unions, by refusing to accept these contentions, have put forward claims which mean nothing more nor less than that industry is to be controlled on the soviet principle. Once admit those pretensions and the ruin which has followed soviet rule in Russia will creep over British engineering. The attitude of the unions is obviously not that of the workers as a whole, for it was confirmed by a ballot at which, though it was conducted in the loosest fashion, the total number of votes cast was only 85,000, or less than one-fourth of the membership of the principal union. There were actually fewer votes than there were members unemployed at the time. The employers are fighting not only in their own interests but on behalf of the bulk of the workers, who are misled and misrepresented by a minority subject to "international political influences." In plain language, the unions, and particularly the Amalgamated Engineering Union, have been led by the nose by the Communists.

So much for the employers' case. The unions maintain that the quarrel has been forced on them by the employers, who chose a time and ground most favourable for breaking

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the unions. A difference of opinion arose as to the interpretation of an existing overtime agreement. The union offered to submit the point to arbitration. The employers refused, and magnified the disagreement into a *casus belli*. Overtime is admittedly *per se* an evil; admittedly, too, it is often necessary. But at a time when 100,000 engineering workers are on the streets and many more working only short time, every effort ought to be made to restrict overtime to work on which it is indispensable. So with the wider question of managerial rights. The unions make no new claims, but they are not prepared to abandon any of the positions they have won in the past. To admit the present contentions of the employers, to accept the formulas of settlement offered to them, would be to bind themselves hand and foot and to put it in the power of the management to make sweeping changes, changes which would undermine the skilled workman and his craft union, without discussion. An attempt to attain this result, made in the depth of an unprecedented depression when the coffers of the unions have been drained by claims for unemployment benefit, is in effect an attempt to break the unions.

We have presented the two arguments as briefly as possible and, we hope, without any significant inaccuracies. For the root of the matter we must look further. Any impartial observer must be struck by the lack of precision in the phraseology of the documents in dispute. "The Trade Union shall not interfere with the right of employers to exercise managerial functions in their establishments, and the Federation shall not interfere with the proper functions of the Trade Union." It is a traditional formula in engineering agreements, but it begs every single practical question likely to arise. What are "managerial functions"? What are "the proper functions of a Trade Union"? What is "interference"? Agreements which contain so many undefined and indeed undefinable terms can settle nothing. The only basis for a workable arrangement in regard to overtime or changes in methods of operation or

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any other practical question of production must be sought in the relations of the management and the men in individual works. We do not suggest that national agreements have no value, but that their value is limited. If the management of a works is efficient and at the same time human—that is to say, if there is respect and confidence on both sides—no national agreement will be needed to keep the peace, and if these factors are absent no such agreement will in the long run prevent a breach of it. The engineering industry covers an extraordinary diversity of types, not only in its material equipment, in the degree of modernity of its buildings and plant, but in what we may call its traditions of management. All over England it is possible to find in the same town two works, in one of which a piece-work system is in harmonious operation, while, in the other, time work is universal and could not by consent be superseded. It is absurd to suggest that in the one works the men are Communists, in the other decent citizens. The truth is that the men know by experience that the one management can be trusted to work the system fairly and honestly and that the other can not.

It is now possible to approach the first question suggested by the employers' argument in this dispute. Is it true that the freedom which the employers seek is necessary to enable them "to place the industry on a sound and economic basis"? Have the unions and their members recently so abused their claim to previous discussion as to restrict unreasonably the employers' freedom? We believe that in the great majority of works the changes necessary to enable employers to improve output, to cheapen production and to meet foreign competition in the unique conditions of these days have been brought about without friction. Not indeed, by any appeal to abstractions such as the conception of "managerial functions," but by an open statement of the particular difficulty to be met and by frank and friendly discussion and compromise. If in such a works the management has wished to transfer a

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certain operation from lathes worked by skilled men to automatic machines manned by a smaller number of semi-skilled men, it has not issued an edict that this change was to take effect on Monday and then refused to admit that it was a "material change." It has consulted the shop stewards, has probably invited the district secretary of the union to come to a private discussion, and has in the end attained its main object by agreeing to increase the number of skilled supervisors in the automatic department or in some other way to protect the members of an ancient craft union which it values and respects. If the management wished to take an order in Brazil at a cut price rather than to lose it to Germany, it has disclosed all the facts to its works committee or its shop stewards and offered to reduce its overhead charges *pari passu* with a reduction in piece-work rates. In works where a reasonable human policy of this kind has been followed, production has for months past been on an entirely sound and economic basis and the relations between employers and workers up to the time of the lock-out were as friendly as they had ever been. The only effect of the prolonged trade depression had been to emphasise the community of interest between the management and the men.

There are, however, other works in which relations have been continuously bad. Authentic instances have been put forward by the Employers' Federation of obstruction by the workers of such a nature that efficient production is impossible. These instances are frequent in works which are badly managed; they are found more in some sections of the industry than in others; and some of them have no other cause than extreme views amongst the men's leaders in a particular district or works. The employers were clearly justified in taking steps to put an end to practices which were crippling some of their number. But it is the first great weakness of the employers' case in this dispute that the whole engineering industry has been brought to a standstill



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because of trouble in a small section of it. The deadly weapon of a general lock-out was used, not reluctantly when all other measures had failed, but with a light heart, as a pawn to king's fourth move. The lock-out has caused intense bitterness amongst the workers, particularly amongst members of the principal skilled union, the Amalgamated Engineering Union. It has piled up obstacles for the future in the way of those firms which have been able to manage their works efficiently without serious labour troubles. We know of one works in which the men had co-operated loyally with the management over a long period, and had accepted in the last twelve months lower piece-work rates, changes in operations, overtime—everything that the management had been able to convince them was needed to meet the conditions in which orders had to be taken. "What is the result of it all?" they say now. "We are locked out." On the day before the lock-out took effect the manager of those works sent for the chief shop steward. He had been with the firm for years and held a unique position, founded on personality. His employers respected him because he was a first-class workman and because he was reasonable and recognised something of their difficulties; and as he always told his men the truth and never let them down, he kept their confidence without losing the firm's. He shook hands with the works manager and said: "I don't think I shall be coming back here to work. I am not blaming you; I know you are in the Federation and have to go with them. But this makes me feel I've been a failure. You know what my work here was, my whole life was in it. After this, I don't feel I can face it again with the fellows here. They'll be saying—some of them have said it already—'Well, Jack, what about your policy now? You see where it's landed us.'" This is not an isolated case. The bitterness of disillusionment has entered into hundreds of the men's real leaders, their leaders in the shops, through this lock-out, and thousands of their men have

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been tempted by it to discard "Jack's policy" for its opposite.

These feelings have been exacerbated by the manner in which the Employers' Federation has conducted the dispute. It has made sweeping charges of subserviency to the Communists, of a conspiracy to introduce soviet methods into the shops, of some hidden connection between the unions and Bolshevism—charges, to those who are in daily touch with the men in engineering works, patently absurd of all but a small minority. Having failed to get an agreement accepted by the Amalgamated Engineering Union, which it primarily concerned, the Federation endeavoured to exploit the notorious jealousy between the skilled and semi-skilled or unskilled workers by submitting the same agreement to the unskilled unions. After opposing every suggestion of a Court of Inquiry until the attitude of the Government made resistance no longer possible, the Federation not only refused to suspend the lock-out during the proceedings of the Court, but chose that moment for an attempt to detach individual men from their unions by offering work to any who were prepared to take it on the employers' terms. No one, we think, imagines that the Federation seeks to break the unions in the sense of restoring the open shop as it exists in America. But it is difficult to trace behind the methods employed by the Federation in this dispute any other general policy than that of *divide et impera*. Underlying that policy is a philosophy of industrialism which in our view is profoundly mistaken. It regards the conduct of industry as a ceaseless struggle between two irreconcilable forces. There are periods when labour can call the tune and make its own terms; there are other periods when the employer has that privilege. Since cycles of good and bad trade seem to be inevitable, this philosophy is simply the negation of any possibility of industrial peace. We believe that in that form it is rejected both by the conscience and the common sense of the nation. If it were

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not, we must admit the failure of our present economic system.

But a permanent state of strife in industry is not only repugnant to reason, it is inconsistent with industrial prosperity in the long run. One of the most serious results of the present lock-out has been its effect on the prospects of British engineering in foreign markets. Repeated strikes in Great Britain, not so much in the engineering industry itself as in other industries which supply its raw material, during the first two years after the war undermined the confidence of foreign buyers. In the last eighteen months every effort has been made by British engineering firms to live down a damaging reputation, and to a great extent those efforts had been successful. The lock-out has again put back the clock. Important orders which could have been obtained by British firms have been postponed or placed in other countries, because of the complete uncertainty in regard to delivery of plant bought here. Confidence is hardly won and very quickly lost, and the effects of the lock-out in destroying it will be felt for many months. At the beginning of the year the prospects open to British engineering in markets abroad were, relatively to those of its competitors, probably better than they have ever been. The industry had during the war immense opportunities of modernising its equipment and its methods of production, and the lessons then learnt have been applied by very many firms to good purpose. The old qualities of reliability, finish and what we may call the gift for mechanical improvisation remain. But the lock-out has darkened the future. Real progress is impossible if the relations of employers and their workers are to be permanently embittered. It rests with that section of engineering employers which has no faith in such adventures to exert their full influence in the counsels of the Federation. Once the lock-out had taken effect there was at no time much prospect of any serious open breach in the ranks of the employers. But it is common knowledge that wide differences of

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opinion exist inside the Federation both as to policy and the methods of conducting the dispute. If those differences lead in time to the defeat of the extremists, the lock-out will have had, at any rate, one useful result. But it will have been attained only at great and incalculable cost to the industry and the country as a whole.

## INDIA

*The Indian question to-day has many sides, and can be viewed in many aspects. Perhaps there are hardly two people in the world who would entirely agree in their statement of it ; but there are at least two things which may be asserted with regard to it without fear of contradiction. It has one radical defect—that it is never simple ; it has one ineradicable charm—that it is never commonplace.*

THAT passage is quoted textually from Lord Milner's standard work on Egypt, with the single substitution of the word "Indian" for "Egyptian." There could be no better jumping-off point for any attempt to depict the condition of India to-day. It is specially true to say that there are no two people in the world who will entirely agree in their statement of it. Between the "Die-Hard" who asserts that the unrest in India is entirely due to the injection of a dose of democracy into the Indian Government, contaminated at its source by the evil genius of Mr. Montagu, and the Nationalist enthusiast who believes that all ills spring from the lack of "sympathy" in the Indian Administration, to be cured only by immediate self-government, there is no approximation. We can therefore only take refuge in official pronouncements. In the debate on the Address in February, Lord Curzon summarised the Indian situation in a passage which is sufficiently accurate for the purpose. After describing the situation as anxious and menacing, he attributed the ferment to the reflex action of the war ; which expressed itself in increased prices, stifled trade and high taxation ; to the painful

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memories of what happened in 1919; to the agitation pursued in India, often on sinister and seditious grounds; and to that self-determination or self-government which was surging amongst most Eastern peoples.

## I. THE REFLEX ACTION OF THE WAR

AS the Indian political situation is in so marked a degree the reflex action of the war, we should refresh our memories of those remarkable years. The war position was one which the most optimistic dared not anticipate. It had always been assumed that during a great European conflict India would have to be powerfully reinforced from Britain; on the outbreak of the war Lord Hardinge, then Viceroy, pledged the last man and the last gun to the service of the Empire. That pledge was literally fulfilled. From the moment when the first units sailed for France a great stream of men, munitions and foodstuffs flowed to Europe, East Africa, Mesopotamia, Palestine and Egypt. Soldiers say that these men having been enlisted for the service of the King, they had to serve wherever he bade them. True; the pregnant fact is that they were sent to the battle fronts with the full support of all the articulate classes in India. From first to last nearly a million men were sent overseas. Behind the tale of men went substantial contributions of money—the free gift of a hundred millions sterling towards the cost of the war and the subsequent acceptance of war obligations amounting to another forty-five millions sterling. These sums seem small to British eyes, but they are very large indeed for a country like India. Under the stimulus of a patriotic campaign, India raised unprecedented sums in war loans. The reflex action of this war effort was set out in the Government resolution on the disturbances of 1919:—

After the conclusion of the armistice hopes ran high amongst the educated classes, that the services rendered by India would

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receive immediate recognition. But these hopes were not at once fulfilled, and disappointment was caused by a combination of circumstances, such as high prices, scarcity, foodstuff restrictions, and the anxieties of the peace settlement, especially as it affected Turkey.

Prices were rising in India before the war, but the influence of the war was severe. If we take 100 as the price level of July, 1914, the principal articles of food were in January, 1922: rice, 142; wheat, 192; *jowari*, 153; sugar, 202; mutton, 230; milk, 191; clothing, 258. In the great cities there was an almost fantastic increase in house rent. The manual labourers found compensation in a corresponding increase in wages, but the great body of salaried men could not receive a proportionate rise in their incomes, and the belated attempt to pay the Government subordinates a living wage is now bringing the Provincial Administrations to the verge of bankruptcy. In the last year of the war, 1918, the rains failed more completely, and over a greater area than during any season in the recent history of India. Famine is no longer expressed in hordes of men and women seeking relief on Government works, but the pressure of these seasonal disasters is tremendously severe in a country where 71 per cent. of the population is dependent on agriculture. The failure of the crops followed on a period when India had been swept bare of her ordinary reserves for military purposes, and they were followed by another poor season in 1920.

Lord Cromer laid down the wise canon that the secret of good government in an Eastern country is low taxation. The first war Budget avoided increased taxation, but thereafter each year saw fresh burdens laid on the taxpayer. At first these were of a moderate character, and took the form of increased Customs duties—never unpopular in a country like India, where there is a strong protectionist sentiment—and a higher income tax and super tax. But the heaviest burdens have accrued since the Armistice. The Budget last year showed a deficit of

Rs.19 crores (£12,666,666), met by the largest increase in taxation in the modern history of India. This emergency threw a great strain on the Reformed Councils, meeting for the first time ; but it was courageously faced and the new imposts were sanctioned. But even after this strain there was no improvement, as the figures given in section VI of this article show. The taxation necessitated by successive deficits touches every section of the community, already so hard hit by high prices that the average consumption of cotton cloth has declined from eighteen yards per head in 1914 to ten yards in 1920. The demand for economy, especially in the direction of military expenditure, has now become insistent.

Indian trade, which is somewhat undisciplined in its character, had grown restive under the various measures demanded during the war to conserve her resources and finance for staples of Imperial importance. When this resentment was gradually subsiding under the influence of the post-war boom it was revived by the currency policy adopted in 1920. When, on the report of the Currency Committee, which sat during 1919 under the chairmanship of Sir Henry Babington Smith, the Government took steps to stabilise exchange at two shillings gold, the consequences were tragic. In the preceding month there were apparent signs of the decline in Indian exports consequent on the collapse of the buying power of the world. This would have been at any rate partially corrected in the ordinary course by a fall in exchange. The attempt to stabilise the rupee at two shillings gold violently reversed this process. It raised exchange at a stroke by fivepence, giving an enormous stimulus to the import trade and almost killing the dying exports. It induced frantic speculation in exchange, and the transfer of capital from India to England to take advantage of this golden opportunity. During the war very large Indian credits, amounting to £106,000,000, had been accumulated in London, represented as to one-half by investments in British Treasury bills against



## The Reflex Action of the War

currency notes issued in India to pay for war exports. On the return of these to India a loss of £35,000,000 sterling was experienced. By the time the immense imports ordered under the stimulus of a rising exchange were delivered, the experiment had collapsed, and exchange had fallen to the neighbourhood of one and fourpence again. The merchants who had placed these orders were faced with ruin. The goods they had imported were unsaleable owing to the decline in values ; they were called on to pay for them at fifteen rupees to the pound sterling, whereas they had reckoned on paying ten rupees. The consequent paralysis in the great piece goods business has not yet passed away.

Nor was this the most unfortunate aspect of this disastrous experiment. The decision to stabilise the rupee at two shillings gold was reached in violation of all the Indian evidence given before the Committee ; the one Indian member indited a powerful minute of dissent. It was opposed by all Indian commercial interests. When it was overtaken by tragic failure, after costing the Indian Exchequer these immense sums and Indian traders these great losses, there was a violent reaction against the Government. Few Indian merchants believed that this was an honest policy ; many regarded it as a trick to repay the British debt to India cheaply and to give an illegitimate fillip to post-war British exports. All students of currency know that these allegations have not the slightest foundation in fact ; yet they were widely held in India.

## II. THE MEMORIES OF 1919

NO man can deal honestly with the events of 1919 and escape villification ; but the attempt must be made, for it is an essential constituent in the Indian problem. There is a tendency, in England and in India, to regard the outcry at the report of the Hunter Commission and the action of Government thereon as a movement against the suppression of insurrection by force. Nothing could be farther from the truth. The Indian believes in order. He knows that in India lawlessness immediately finds an expression in riot, murder and arson ; that the police are so inefficient that they must be frequently supported by the military arm ; and that the most humane course in time of disturbance is prompt and effective action. The legacy of 1919 goes much deeper. Every observer of Indian questions for the past decade has seen that the dominant passion is an intense craving for her self-respect, for her equal stature amongst the peoples of the world. This ruling passion was cruelly affronted by the events of 1919 and their aftermath. It was not that force was used at Jhallianwallah Bagh, but that the doctrine of preventive massacre was put into practice ; it was not that stern measures were taken under martial law, but that punishments of humiliation were deliberately inflicted. Stern measures were taken, severe punishments were inflicted at Ahmedabad ; none hears of any grievance there. Indians saw with amazement that an act described as “ a grave error ” by all the members of the Hunter Commission, as “ indefensible ” by the Government of India, and as “ in complete violation ” of the established principle of the use of minimum force when the military are called in to aid the civil arm, by the Cabinet, was acclaimed by the general body of Europeans in India and their friends in England, who raised for the officer concerned an immense public sub-

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scription. They read with anger that his action was applauded by a strong element in the House of Commons and a majority of the House of Lords. To the Indian, and the higher his character the stronger his indignation, the events of 1919 were the brand of subjection burnt into the living flesh.

Nor was this nearly all. No important issue was ever more maladroitly handled. The serious events in the Punjab were over by the end of May, 1919. If there was to be an inquiry, it should have been prompt and final. The Hunter Commission did not begin its sittings until October of that year and its report was not presented until the following April. Meantime, the country was ringing with the wildest stories of oppression, and the National Congress appointed its own committee of inquiry, consisting of Mr. Gandhi and lawyer colleagues, whose report was in the hands of the public before the issue of the conclusions of the Hunter Commission. None who know India will regard this report and the fat volume of evidence which accompanied it as having the slightest judicial value. Mr. Gandhi and his colleagues wanted evidence of oppression and they got it; any wandering tribunal which wants evidence of a particular shade in India can obtain as much as it requires. The suggestion put forward that witnesses were credible because they were warned of the consequences of untruth is childish to all who know their India. But these facts do not alter by one iota the harder fact that Indian opinion on the events of 1919 is not formed on the report of the Hunter Commission—before which neither the Congress nor the Moslem League adduced evidence—but on the *ex parte* report of the Congress Sub-Committee, whose stories of oppression have been repeated with embellishments on ten thousand platforms in every part of the country. Never, at any stage, did the Government of India appreciate that this was not a political but a moral issue; not until February, 1921—and then only when faced by the breakdown of the Reform Scheme—did they attempt to put

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themselves morally right. What Lord Curzon so truly described as the painful memories of 1919 hung like a blight over Indian politics for more than two years and are only now slowly disappearing.

### III. A SOCIAL REVOLUTION

THESE economic and political factors have been intensified by social changes little realised. Well may the orthodox Hindu, surveying the field, feel that he is confronted by a social revolution of an almost cataclysmic character. The age-worn Hindu system divided society into rigid vertical strata, graded from the supreme twice-born Brahman to the tragic "untouchable" for ever cut off from contact with fellow-men less degraded than himself. This rigid system has been shattered by western ideas beyond repair. The British Government made all men equal before the law; the railways gave the Sudra the same right to a seat as the Brahman; but the Government could not attack the social system. This the Christian missionary blasted with charges of dynamite. To the despised Sudra he brought the liberty-loving and democratic faith of the ruling race, admitting all who believed to the equal brotherhood of Christ. We can gauge something of the influence of the Christian missionary in the numbers of his converts; two and a half millions in Madras profess Christianity and whole villages of the Punjab are said to be ready for conversion if there were the teachers to nourish them in the new faith. It is much harder to gauge the indirect results of their persistent teaching. But the following incident is illuminating. Nasik, in the Bombay Presidency, the source of the sacred Godaverī, is one of the great centres of Hindu pilgrimage. Every twelve years pious Hindus flock there in immense numbers to celebrate the *Sinhast* festival, people coming from as far afield as the distant Himalayas. An English missionary, a fluent Marathi scholar, made it a

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practice to preach every day amongst the pilgrims on the banks of the river ; he never failed of an audience, he never failed of a respectful hearing, he never addressed a gathering which was not more or less familiar with the life and teaching of Christ, and he sold copies of the New Testament in thousands. This occurred in one of the most famous centres of Brahman influence. Numbers, moreover, express only a fraction of this dynamic force. Missionaries have influenced many of the best minds in India by the Christian ethic even though such do not profess the Christian faith. They inspired the social reformers, who have laboured unceasingly for the elevation of the " Depressed Classes." They have been supported indirectly by the Mahomedans, offering to the convert to the militant faith of Islam the fullest rights once they accept the badge of conversion. They gradually aroused an extreme fear within the ranks of Hindu orthodoxy that if they did not move, the whole body of the " Depressed Classes " would be lost to Hinduism. In this almost silent work the ground was steadily made ready for constitutional reform. So far had it proceeded that an experienced Civilian who sat on the Committee which worked out the franchise under the Montagu-Chelmsford reforms, declared at the end of his tour that the fear of a Brahman oligarchy was exploded. It needed but the touch of a democratic franchise under the Reform Scheme for the " Depressed Classes " to come by their own. In Madras they secured such success at the polls that they control the provincial administration. Everywhere they have obtained representation so substantial that the protection of their interests is secure. By sheer virtue of numbers their political power must increase with each extension of the present limited franchise. The cry to-day is not " Justice for the Untouchable," but " Justice for the Brahman." Nor is the Brahman easy under this pressure. Behind Mr. Gandhi's passionate repudiation of western ideas and institutions there is something much deeper than rejection of what is called in the shibboleths of the moment

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the materialism of the West; there is the reaction of Orthodox Hinduism against these shattering and revolutionary changes.

### IV. THE KHILAFAT ISSUE

**T**HERE is a class of publicists who regard the agitation in India over the terms of peace imposed on Turkey in the Treaty of Sèvres as revolutionary and factitious. That view cannot obtain amongst any who understand the Indian situation. The first signs of a Pan-Islamic spirit date back to the Turco-Greek War, when no little surprise was aroused by the illumination of mosques in Bombay to celebrate the victories of the Hamidian forces. It received its greatest impetus from the modification of the Partition of Bengal in 1911, which was regarded by Moslems as a surrender of their special position in Eastern Bengal to Hindu clamour and sapped their faith in British support. It grew in strength during the Balkan Wars.

It is not easy to understand the attitude of the sober Moslem towards Turkey. Before the war it was undoubtedly dominated by the desire to preserve the territorial power of Islam. Since the war it has been markedly influenced by the consideration advanced in the March number of *THE ROUND TABLE*, in the article, "The Near East,"\* arising from a feeling of superiority to the Greeks. It is true that some of the protagonists in the Khilafat movement were frankly revolutionary, aiming at the independence of India, and were simply making use of Mr. Gandhi. Their idea of an independent India was one where Mahomedan fighting qualities would impose themselves on the Hindu majority, and they looked to the outer world of Islam for support in maintaining this domination. But behind this extremism lay the solid permeating thought

\* *THE ROUND TABLE*, No. 46, March 1922, p. 328.

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that the Moslems of India had not been fairly treated—that they had been exploited during the war—yet the moment the war was won Turkey was sacrificed to the Greeks. Ever since the rise of the Angora Government India has been harried by tales of Greek excesses in Smyrna and Anatolia and by the sufferings of their co-religionists in Asia Minor. They are no believers in the permanence of the régime of King Hussein in the Hedjaz or of King Feisul in Mesopotamia. The philo-Hellenism of Mr. Lloyd George is regarded by all Moslems and many Hindus as a breach of the pledge given in January, 1918, “Nor are we fighting to deprive Turkey of its capital or of the rich and renowned lands of Asia Minor and Thrace, which are predominantly Turkish in race.” Britain is looked upon as the enemy of Islam ; and there will be no peace either in India or in Central Asia until there is peace with and within Turkey. Lord Reading’s telegram, whose publication induced the fall of Mr. Montagu, has indicated the path to that peace.\*

### V. NON-CO-OPERATION AND MR. GANDHI

**I**NTO this surcharged atmosphere there was precipitated the baffling personality of Mr. Gandhi. Those who know him best despair most completely of giving to Western readers any adequate conception of this enigmatic character ; indeed, the better you know him the harder is it to understand him. Short in stature, with large ears and a gap in his front teeth, Mr. Gandhi has none of the outward attributes of leadership. A Gujarat Bania by caste, he makes no appeal to Hinduism by pride of birth or privilege of caste. The gentlest of men in manner and form of

\* Our own view on the Near Eastern Question will be found in THE ROUND TABLE, No. 46, March 1922, p. 336. The publication of Lord Reading’s telegram is dealt with in the United Kingdom article in this number.—EDITOR.

speech, he is yet capable of the utmost violence in thought. To hear him pouring forth an unemotional torrent of condemnation of the Government of India in which the epithet, Satanic, was most common until it ceased to have any meaning, was a shock as great as to listen to a torrent of blasphemy from a priest or of obscenity from a "flapper." His intellectual equipment is considerable, but not in the least profound; he has made no such contributions to Hindu scholarship as, for instance, the late Bal Gangadhar Tilak, though it is said that General Smuts used to chop metaphysics with him at intervals in the South African troubles. His political ideas can only be described as crudely archaic. They were formulated in the curious medley *Indian Home Rule* published in 1908, embodying views to which he expressed his renewed adherence in 1921. In this volume Mr. Gandhi rejected every form of human advance which distinguishes modern man from the primitive villager. In a tirade against railways, he laid down the doctrine that God set a limit to man's locomotive ambition in the construction of his body: "Man is so made by nature as to require him to restrict his movements as far as his hands and feet will take him." The rule of law he denounced no less than the savagery of deciding disputes by fighting. Doctors he tabooed as encouraging by cures excesses in eating and drinking. "Hospitals are institutions for propagating sin. Men take less care of their bodies and immorality increases." Education is an institution as liable to abuse as use. "What do you propose by giving him (the peasant) a knowledge of letters? Will you add an inch to his happiness? Do you wish to make him discontented with his cottage or his lot?" Machinery is an accursed thing, because "if we set our heart after such things, we would become slaves and lose our moral fibre." Representative institutions are an abomination. "The condition of England at present is pitiable. I pray to God that India may never be in that plight. That which you consider to be the Mother of Parliaments is like a sterile



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woman and a prostitute." There was no physical absurdity to which he would not turn in his propaganda. India is a land of slaves ; therefore let India reduce the number of slaves by a voluntary abstention from procreation. Milk is the natural food of man ; therefore let them abstain from the drinking of tea, which wastes this natural food. Soul force is to be the rule of the world ; therefore let them offer no opposition to the invader and to crimes of violence. The question will at once be asked what Mr. Gandhi offered India in place of railways, law and lawyers, doctors, education on Western lines, machinery and manufacturing industries, and parliamentary government. With all his simplicity Mr. Gandhi is a very shrewd politician. He knew that the moment he put forward any constructive proposal differences of opinion would manifest themselves, so he did nothing more than talk vaguely of *Swaraj*. At the back of his mind, however, he kept the ideal that the highest form of human society is the self-contained village, where each man will live on the produce of his own fields, clothe himself in homespun from cotton grown by himself, and where such little government as was necessary in a community, each member of which was controlled by soul force, would be given by a village council sitting under a banyan tree.

What constituted the amazing appeal which Mr. Gandhi made to his countrymen ? Let us be under no misapprehension as to the universality of that appeal ; for his brief period Mr. Gandhi was the greatest figure India has thrown up in the last century. He returned to India from South Africa a passionate believer in the doctrine of passive resistance as the panacea for all political ills ; so far as he had any political leaning it was a species of vague Tolstoyian philosophy. At the special session of the Indian National Congress in Calcutta in 1920, he was hailed as the patriot saint, and eager worshippers dogged his footsteps to gather the dust from his feet. His first great appeal to India was the rigid simplicity and uprightness of his life and character.

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Most of the earlier Indian politicians loved the good things of this world, and were rather *Bahadurs* in their attitude towards the rank and file. Mr. Gandhi lived in a small hut on the banks of the Sabarmati River, near the town of Ahmedabad. His food consisted of goat's milk and raisins. He invented for himself and his followers a uniform of the humblest description modelled on that of the convicts in gaol—a box cap like that of the carpenter in *Alice in Wonderland*, with a coat and *dhotie* of the coarsest homespun. When his followers complained that this coarse cloth was unbearably hot he bade them reduce the amount of their clothing, and set the example of confining his raiment to a tiny loincloth. To the Hindu mind the highest form of sanctity is still asceticism; Mr. Gandhi's manner of life appealed to their traditional religious instinct. This religious appeal was powerfully fortified by his exaltation of the golden age of the Vedas, which none can identify because it never existed. The Orthodox Hindu, seeing his ancient faith assailed by Christian missionaries, Mahomedan proselytisers, the reform sects anxious to bring the "Untouchables" within their fold, and the democratic tendencies of the day which under the Reform Scheme had placed the Non-Brahmans in charge of the administration in Madras and in positions of influence everywhere, reacted to the man who promised them the re-establishment of their old faith and their old ideals. Next, there was Mr. Gandhi's most flexible eclecticism. The strongest force in India to-day, and for many a year, as has been shown above, is a passionate claim for her self-respect, which millions believe is only possible with full equality amongst the nations of the world. The Indians are not a politically minded people. Place the Indian in power and he is a despot; constitute an Indian Cabinet and it becomes at once a hard and fast bureaucracy. The British Parliament promised India full responsible institutions along the patient and toilsome path of gradual development in self-government; Mr. Gandhi promised India *Swaraj*—the

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Indian not the Western idea of Home Rule—not by laborious stages, but in a year, in six months, in a few weeks. The appeal was irresistible to the young, destitute of political experience and vehemently opposed to restraint: What that *Swaraj* was to be Mr. Gandhi was very careful to refrain from saying; any who dared to indulge in constitution-making were at once cast beyond the pale. The Moslems were sulking in their tents; the treatment of Turkey under the Treaty of Sèvres revealed to their warped subjectivism Britain as the enemy of Islam. Mr. Gandhi outstretched his hand with an endorsement of Moslem claims far transcending that of most Mahomedans. Seventy-one per cent. of the Indian people are dependent on agriculture, and in a land liable to violent seasonal vicissitudes the agriculturalists are necessarily subjected to very lean years; Mr. Gandhi promised them through the *charka*, or spinning-wheel, and the hand-loom, a subsidiary industry which would ensure their prosperity. The great mass of the “Depressed Classes” in India are determined to win the elementary rights of citizenship; Mr. Gandhi denounced the treatment of the “Untouchables” by Orthodox Hinduism, and the “Untouchables” cried *Gandhi-ki-jai* (victory to Gandhi). This flexible eclecticism, grasping every social and economic grievance at a time of general trade depression, was a powerful buttress to a mass movement, which might have waned more speedily if confined to the vague generalities of Mr. Gandhi’s three parrot cries—Punjab grievances, Khilafat wrongs, *Swaraj*.

On his return from South Africa Mr. Gandhi first remained aloof from politics, and at the *Asbham* which he established at Sabarmati founded the beginnings of his social work. His first serious intrusion into politics sprang from what is known as the Rowlatt Act. Following the strong recommendations of a Committee presided over by Sir Sidney Rowlatt, the Government of India passed legislation giving the executive special powers to deal with

anarchical crime. These measures aroused the strongest opposition in a country fearful of arming the police with any special powers, and the Bill was passed through the Legislative Council in the teeth of the opposition of all the non-official members. A small deputation of artful and dangerous men sought Mr. Gandhi's aid, and before he could take counsel with his friends induced him to launch his *satyagraha* campaign, with civil disobedience as its chief weapon. The unanimous verdict of the members of the Hunter Commission is that this campaign was the direct cause of the disturbances in the Punjab and elsewhere in 1919. Mr. Gandhi confessed to an error of Himalayan magnitude, and asserted that if bloodshed occurred in India he would seek refuge in the mountain fastnesses. In this chastened mood he bowed so far to the general sentiment of the country as to express his acceptance of the idea of parliamentary government, which he had so emphatically repudiated in his writings, and at the National Congress of 1919, meeting under the crimson shadow of Amritsar, was largely instrumental in the passage of a resolution pledging support to the working of the Reform Scheme. But the essential negation of his mind speedily revolted from this constructive work, and at the special session of the Congress held at Calcutta in the following September, which he entirely dominated, he committed that organisation to the non-co-operation programme.

There is not a single item in this programme which has not grotesquely failed. Only an insignificant number of titles has been surrendered; outside Bengal, where there are the special education difficulties described in the report of Sir Michael Sadler's Commission, children have not been withdrawn from schools; the National educational institutions, which were to take the place of the Government schools and colleges, are exceedingly inefficient imitations of the official establishments, where they exist at all; lawyers have not withdrawn from practice, and the law courts are cluttered with arrears of work; there is no

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shortage of Government servants, and the new Councils are fully manned. More spectacular success attended later developments. The Gandhi cap and the *khaddar* (homespun) coat are everywhere in evidence, though the movement is hopeless, for a good worker can earn only twopence a day at the spinning wheel, and the weavers of *khaddar* cloth have to be heavily subsidised from Congress funds. It is claimed that the crore of rupees (£666,666) demanded for the Tilak Memorial Fund were subscribed. But the campaign against education alienated from Mr. Gandhi thousands who might otherwise have given him tacit support, and the avenging power of fact brought dreadful proof of the inevitable fruits of any no-law campaign in a country where the crust between order and anarchy is perilously thin. The serious riots in Malegaon and Dharwar, in the Bombay Presidency, showed only too clearly how the mob would construe optional obedience to the law; the dreadful atrocities on the helpless Hindu population during the Moplah rebellion in Malabar brought home to the whole country the literal manner in which Moslem fanatics would interpret their idea of *Swaraj*. Mr. Gandhi returned from Madras last September a saddened and depressed man. He found that the vigorous and dominant non-Brahmans of that Presidency hate non-co-operation and all its ways. The bonfires of foreign cloth had degenerated into a farce, heaps of rags being covered with a few better articles, often bought from Congress funds. The boycott of liquor shops was largely in the hands of hired bravos. A temporary fillip was given to the movement by the landing of the Prince of Wales, which gave a tangible excuse for a *hartal* all over India. But the disgraceful riots in Bombay, where the "non-violent" non-co-operators set on those who were returning from welcoming the Prince, disgusted everyone. Sadly confessing that the *Swaraj* he had witnessed in Bombay stank in his nostrils, Mr. Gandhi returned to Ahmedabad, abandoning the mass civil disobedience campaign which

was to have been launched at Bardoli, a *taluka* in the Surat district, where there are a large number of Indians returned from South Africa, and therefore specially sensitive to his influence, and prepared for the Congress session in December, when he knew that a determined effort would be made from Bengal and the Deccan to oust him from his leadership.

Sometimes it would seem as if the stars in their courses fought for Mr. Gandhi. At a time when his political stock was at its lowest ebb it was boomed by the imperative action of the Governments of Bengal, the United Provinces and the Punjab striking at the lawlessness which was paralysing and terrorising the whole community. The very men who were foremost in denouncing the "unseen terror" which accompanied the *hartal* in Calcutta on the day of the Prince's landing were foremost in denouncing the only way of grappling with it—the suppression of organised Congress and Khilafat "volunteers" who were the executive arm of the Congress and the Khilafat Committee. Mr. Gandhi emerged from the Ahmedabad Congress armed with an unqualified dictatorship. But it was really the beginning of the end. His mentality at this time presents an unusually baffling tissue of contradictions. At one moment he seemed to be grappling with issues too big for him ; at another he was evidently suffering from an acute megalomania which betrayed him into using the terms the victor employs to the vanquished. The words "no violence" were always on his lips, but they were punctuated by the expression of desires for a violent death and a whole series of Jhallianwallah Baghs, in his own Province of Gujarat. The one clear issue which emerged from these cloudy pronouncements was evidence that the movement had passed definitely beyond his control. He went to Bardoli to urge the postponement of mass civil disobedience ; the mob he was addressing resolved to proceed immediately with civil disobedience. Appalled by the brutalities of a mob led by Congress Volunteers at Chauri

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Chaura, in the United Provinces, where twenty-two policemen were beaten to death, and yielding to the pressure of the more sober of his friends, he postponed mass civil disobedience and privately declared his failure as a politician and his determination to devote himself to social work. But when his recantation came up for confirmation at a meeting of the All-India Congress Committee at Delhi he was put aside and each Provincial Congress Committee claimed and received full freedom of action. Both at Delhi and afterwards at Ajmere he was vehemently denounced by the Moslems he had misled. His trial and condemnation on his own plea of guilty at Ahmedabad was not so much the *débâcle* of non-co-operation in itself, as placing the seal on a *débâcle* which had already occurred. The sober elements in the country were wearied of the perpetual turmoil and tyranny of non-co-operation and its truculent agents; the lawless elements, who were only making use of Mr. Gandhi, chafed at his incessant changes of policy. Whilst there was and is a sentimental regret at the imprisonment of a man of his high character, and of a man one would like—although it has become increasingly hard—to regard as sincere, there is a general sense of relief at the vindication of the law and the dispelling of the belief, which was becoming dangerously prevalent, that Mr. Gandhi was so far above the law that the Government dared not touch him.

### VI. THE SURGE TOWARDS SELF-GOVERNMENT

THESE signs point definitely towards the decline, at any rate temporarily, of non-co-operation as a political movement. It is barren of achievement, as such nihilism was bound to be. Where it persists it is as the expression of other discontents—the agrarian grievances in the United Provinces and the development of a militant nationalism amongst the Sikhs—rather than as a general

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political creed. The decline of non-co-operation leaves the Governments and the Legislatures, as constituted under the Reform Scheme of 1919, in command of the constructive side of the surge towards self-government which, tentatively advanced by old Congress Leaders like Gokhale and Dadabhai Naoroji, gained such remarkable strength and energy during the war. The working of the Reform Scheme presents two strongly marked features. Elected in the fever of the non-co-operation movement, the Legislatures do not profess to represent in any sense the non-co-operation party. The great error which the non-co-operators committed, and one which establishes Mr. Gandhi's lack of political instinct, was the decision to boycott the Councils. If he and his followers had sought election in 1920, they would have obtained commanding majorities and they could have used that power either to dominate the political machine or to bring it to a standstill. Their abstention filled the Councils with men anxious to work the constitution and whose whole political existence is bound up with the maintenance of the constitution. Now the working of the constitution has shown that it confers even greater powers on the Legislatures than some of the framers anticipated. Though such large powers are reserved to the Governor-General and the Governors in theory, they cannot be exercised extensively in practice, without jeopardising the existence of the whole fabric. The Governments, and in particular the Services, have worked so loyally in the spirit and letter of the Reforms that no such emergency has arisen; the occasions where these exceptional powers have been used are a few cases in the Provinces, where the propriety of the Governor's action was so obvious that it commanded general approval. At the same time it has shown that the Legislatures have so little control over finance that the Governments were marching headlong to bankruptcy. The financial forecasts on which the adjustments between the Government of India and the Provincial Administrations were made have broken



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down. The military expenditure has very largely exceeded the estimates, and the revenues of the Government of India, owing to economic depression and the fall in exchange, have severely declined. The result is that the Government of India, after absorbing all the growing heads of revenue, has failed to balance its Budget. With Rs. 19 crores (£12,666,666) of additional taxation voted last year, it had still to finance a deficit of Rs. 34 crores (£22,666,666), by borrowing. With Rs. 29 crores (£19,333,333) of new taxation asked for this year, it still failed to balance its Budget by a nominal Rs. 2 crores (£1,333,333), which everyone knew was a fictitiously low figure.

The task before the Legislature was one of the greatest difficulty. If it had voted the Budget without enforcing some measure of economy it would have exhausted the resources of taxation, and even raised taxation to a height which would have brought into operation the law of diminishing returns, without establishing financial equilibrium. At the same time it would have hopelessly compromised its position in the constituencies, for some of the new imposts suggested, like the raising of the excise duty on cloth manufactured within the country, are universally hated. This, as well as a proposed increase in the salt tax and a higher duty on machinery, was excluded. In the end the Legislature voted fresh revenues estimated to produce Rs. 20 crores (£13,333,333), and insisted on a five per cent. reduction in the cost of the civil administration—an illogical procedure, perhaps, but the only means of bringing the paramount importance of economy home to the Executive. But even after voting these Rs. 39 crores of fresh taxation and revenue in two years, the Legislature still sees that without further great economies in expenditure there will be a deficit of Rs. 9 crores (£6,000,000) next February, and nobody can suggest any means of covering it save by the vicious means of fresh borrowing. The Provincial Administrations find themselves faced with the rapid reduction of their revenues through the decline in the drinking habit and

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the definite steps taken towards prohibition, whilst they are confronted with heavy expenditure in paying Government servants a living wage, apart from the demand for an increased expenditure on education and public health.

The greatest need in India to-day is economy in the administration, especially in the military charges and expenditure on the Frontier, so as to produce financial equilibrium. The country is anxiously awaiting the constitution of the promised Indian equivalent of the Geddes Committee, which is to explore the whole field of expenditure, including military charges. The alternatives to the existing constitution are a return to bureaucratic despotism, or the establishment of full responsible institutions, either of which is unthinkable; but the present constitution cannot continue to function with perpetually increased taxation at a time of severe economic depression, and perpetually recurring deficits. Thus every experienced observer has come to the conclusion that despite the manifest desire of the Government to work the Reforms in accord with the Legislatures, the confidence of men well affected towards the Imperial connection in the steady advance towards self-government has been weakened. It is imperative that it be restored. The surge towards self-government, whilst regulated in the case of sober men by the desire that it should never be speeded up to the point of sapping the foundations of order, is nevertheless a strong and overmastering creed. Every act of the Government and every decision of the Legislature is scrutinised with the purpose of ascertaining whether it is leading India towards that goal. Especially is this marked in all questions affecting the industrial progress of the country and in preparing it for self-defence when the goal is reached. The political decline of non-co-operation leaves the field open to advanced politicians, who are already marshalling their forces to capture the Councils at the elections of 1923-24. Unless the Government and the Councils can by then show an appreciable diminution in the cost of the administration,

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a genuine programme for the industrial development of India, and some advance towards making her capable of defending herself against attack, the wide political powers committed to the electorates may conceivably be used to produce a constitutional deadlock.

India. April 14, 1922.

# CANADA

## I. CURRENT POLITICS

### *The New Parliament and its Parties*

AT the ministerial by-elections in January the Mackenzie King Cabinet received its sanction, only one of its members having to face a contest. Mr. Meighen, defeated in December, re-entered Parliament after a fight with a Progressive opponent in an Ontario constituency, and now leads the Opposition. A small political flurry followed the invitation from the Prime Minister to Mr. Charles Stewart, till lately the Liberal Prime Minister of Alberta, to enter the Cabinet ; for Mr. H. W. Wood, President of the United Farmers of Alberta, whose electoral machine had shown its strength by defeating Mr. Stewart's provincial ministry last July and by capturing all of the twelve Alberta seats in the Dominion House in December, announced that there was no Judas among Alberta's apostles of progress ; and Mr. Stewart had to find a seat in Quebec. This raises the Quebec membership to seven in a Cabinet of nineteen, but Mr. King has been able, at least nominally, to conform to the Canadian usage whereby each province is represented in the Dominion ministry. The practice has obvious disadvantages. Political "availability," in the American sense, becomes more important than ability, and a parochialism of political education and outlook is sometimes the result ; but in a country of area so extensive, and of interests, habits, and temperament so diverse, some representation of locali-

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ties is probably necessary if a ministry is to reflect the opinion of the whole country ; and the practice is unlikely to be departed from before opinion is a good deal more homogeneous than it is at present.

Mr. King has slightly reduced the total number of paid ministers, which was increased in the arrangement of places in the war coalition, by taking an extra portfolio himself and bringing two others under one of his colleagues. If ever the number were to be much increased it might be possible to allot the lesser ministerial posts on a territorial basis and to seek suitable holders of the more important cabinet positions among the ablest men of the country at large. The Cabinet—for in Canada the Cabinet and ministry are usually co-extensive, and at present identical—is of unwieldy size for decisive purposes ; but there is no prospect of any early change in number or basis of construction.

As was said in the last number of *THE ROUND TABLE*,\* many non-partisan Canadians, from a desire to see a Government stably supported, regretted the failure of the negotiations between Mr. King and Mr. Crerar ; for the result has been a Government whose supporters are in a minority of one in the House of Commons and form but a third of the Senate. The possible basis of junction, the failure to reach one, and the resulting effect on the attitude and action of the Progressives, aroused a good deal of interest, as being likely to indicate the policy of the Government and the measures it will produce. In the first day's debate on the Address references were made to the negotiations, but little really new light was thrown either on their basis or the reasons for their rupture. Apparently no record of definite terms was kept by either party, and Mr. Meighen's request that the House should be more fully informed produced only an unsatisfactory conflict of statements. Mr. King, who during the election campaign had energetically denounced coalitions, repeated substantially what he had told his constituents when he went back for

\* *ROUND TABLE*, No. 46, March, 1922, p. 391.

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re-election : that he regarded the Progressives as a wing of the Liberal forces and had been ready to include Progressive leaders in the new Government, but that he had made it quite plain that they would have to become, and to consider themselves, members of a Liberal administration. Mr. Crerar, who had denounced both the old parties during the election campaign, said that his understanding was quite the reverse of this : that the negotiations took place on the basis of the policy and personnel of the new Government ; that he would be prepared to co-operate on definite lines of principle and policy with a Government, whether led by Mr. King or Mr. Meighen, which was meeting the country's needs ; and that, as nothing had come of the negotiations for co-operation between the Progressive and Liberal parties, the former was in the House as an independent party, not ready to oppose for the sake of opposing, but ready to give support to the Government in carrying out policies for which the Progressives stood. This is all the country has been told, though perhaps less than it surmises ; whether Mr. King receded from an advanced but exposed position because he feared the loss of a strong body of Quebec supporters, led by Sir Lomer Gouin, who are more attached to the present financial and industrial interests of Eastern Canada and the protective system under which they have grown than they are to Progressive doctrine, is for the historian to tell. The character of the Government and House of Commons has an element of uncertainty which makes the *mise-en-scène* extremely interesting from the point of view of both policy and parliamentary tactics.

The characteristic feature of Canadian national politics since confederation has been the existence of two well-defined and well-disciplined parties, and the stability and longevity of Governments. One must go back to the period between 1841 and 1867 for any analogy to the present House of Commons ; and it is but a poor analogy, for the groups of that period were formed on quite different principles, and the early mortality of administrations was

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the result of quite different conditions. The Progressive party is the fruition and extension of the agrarian movement, which has been described in earlier numbers of THE ROUND TABLE. It arose to voice the economic demands of a class; but it became a revolt from the two old parties, and, though the majority of its members are agriculturalists, it drew to it the support of many who are not farmers. In Dominion politics it is supreme between the Great Lakes and the Rocky Mountains; it includes one-third of the members from Ontario; though there are differences of view on tariff matters, it is supported by several members from British Columbia; and it returned one member from New Brunswick. Though it acts as a unit generally, the party tie is loose. Mr. Crerar is nominally its leader; but there is a good deal of independence of thought, and already differences of view have resulted in its members voting on opposite sides in parliamentary divisions. This, if it has advantages, may give rise to doubts as to the permanence of the party; but it is too soon to hazard any confident opinion. Its strength varies in different provinces. Its organisation in Alberta is strongest and most stable. In Saskatchewan it is vigorous, but less thoroughly organised. In Manitoba it is said to have a weak organisation, which will be tested at the elections in that province in June next. The provincial Government which it placed in office in Ontario in 1919 has always been supported by a minority of the legislature, and it is doubtful if it is as strong as it was. Some supporters from British Columbia are definitely allied with the party; others, elected as independents, generally act with it. In Quebec it has made little or no headway, and in the maritime provinces any strength it has is confined to a few constituencies.

The Alberta members probably largely share the ideas of economic group government preached by Mr. H. W. Wood, a political philosopher, the success of whose organisation has shown his practical sagacity; but it is doubtful if even a majority of the whole party are committed to this

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line of thought. It is held by the two Labour representatives from Calgary and Winnipeg, who act generally with the Progressives, but whose more advanced views cause a certain amount of apprehension. The fissiparous possibilities of the party are obvious. Its foundation, largely economic, is a protest against the policies and methods of the two old parties, but the protest has not always identical sources, and does not always contemplate identical ends. So far as it has its roots in agrarian discontent, it is a protest against the policy of past Governments, which, it is claimed, have coddled the industrial and financial interests, and neglected and depressed the economic existence of the majority of the citizens of the country. As these industrial and financial interests are massed in the East, it is natural that the Progressive party should be more vigorous and comprehensive in the agricultural West. In the West the predominating economic interest generally carries opinion in the less extensive urban constituencies along with that of the larger rural population. In the East the vigorous industrial growth has inclined to draw rural opinion along with the urban. Hence, the Progressive movement, so far as it has an agricultural basis, has shown less evidence of vigour and permanence in the East than in the West. The whole future of the movement is consequently obscure; but it can be credited with one definite accomplishment and denied one apprehended aim. It has created one condition essential to intelligent democratic government: it has aroused among its adherents a real interest in politics. The discussions of political problems in the local units of its organisation are frequent, popular, and intelligent; and the possibility of political improvement and progress no longer provokes expressions of disinterest, disillusionment, or cynicism. Any fear that it was a revolutionary organisation, if it ever existed, has been dissolved. Its leaders, parliamentary representatives, and rank and file are really a conservative propertied class; and there are few poorer sources of revolutionary recruits than a yeomanry.



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The two old parties suffer from that difficulty of definition which has characterised them throughout their history. Their names, Liberal and Conservative, were always designations of indefinite and confused connotation, and their principles and policies are always, perhaps necessarily, the result of the counsels of opportunism. Even their professions might have been exchanged without inconvenience. In turn, each has been supported by interests which have been the bane of Canadian political morality. The *Montreal Gazette*, the oldest Canadian newspaper, which formerly supported the Conservatives, ascribed that party's defeat to the passage of legislation of a socialistic tendency. That the paper is now disposed to favour the present Liberal Government, and that more than half the parliamentary supporters of the administration come from the essentially Conservative province of Quebec, may be evidence that the Government is really a Conservative one. Mr. Irvine, the Labour member for Calgary, supported his thesis of the validity of economic group government under the British system by designating the present administration and its supporters as the representatives of the great financial and industrial interests, and the Opposition, led by Mr. Meighen, as the "politically unemployed." The truth has been that, with the sectionalism of opinion due to geographic, economic, racial, and religious divergencies, the division of parties has not been the result of nation-wide difference of political opinion, and that the party names have been really meaningless. Whether the advent of a new party, whose own name may have misleading implications, is likely to result in a truer expression of political opinion by political parties is a question which time only can answer.

The pressing national problems, like those in all countries, are economic, and they arise, apart from the dislocation produced by the war, from the difficulty of treating a growing, largely undeveloped country, of enormous extent and great variety of conditions, as an economic unit. Hereto-

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fore the economic development and the increase of wealth have been so rapid that it has been possible largely to ignore the varying sectional results of economic policy ; but as it is now probable that progress, while steady, will be less rapid than formerly, the effect of economic policy on different sections, and the reactions of one upon another, will have to be more carefully considered. Mutual recrimination has been heard. The agricultural West complains that it is suffering economically from the results of policies which have been directed towards building up the more industrialised East ; the East replies that it has largely borne the cost of colonising and developing the newer West. The rapid increase of the proportion of urban to rural population throughout the whole country raises a division which cuts across the economic diversity produced by geography. The whole problem is one of vast complexity.

### *The Railways*

With the Government in a minority in the House of Commons, and depending for its existence on the support or at any rate the neutrality of so loose a party as the Progressives, and with the solidarity of its own Liberal supporters uncertain and untested by any important division, it is not remarkable that Parliament has been slow to get under way, that declarations of policy have been few and inconclusive, and that the Government has shown itself very sensitive to the opinion of the House.

Perhaps the most important announcement has been the statement made by the Minister of Railways on the day of the Easter adjournment about the progress of the Government-owned roads last year. When the Meighen administration left office the Government held control of the stock and possession of the property of railways which comprise 22,000 miles, or 52 per cent. of the total railway mileage of Canada, and include what were formerly the Canadian Northern Railway, the Grand Trunk Pacific Railway, the

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National Transcontinental Railway, the Intercolonial Railway, the Prince Edward Island Railway, and the (parent) Grand Trunk Railway, with their subsidiary companies. Of these railways, control and operation of all but the last had, before May, 1921, been transferred to the board of directors of the Canadian National Railways appointed by the Government. The control and operation of the Grand Trunk Railway was, in that month, transferred from the directors of the Grand Trunk to a board on which certain of them were continued for the purpose of giving them facilities to complete the arbitration of the value of the stock, but the majority of which, including the Chairman, Sir Joseph Flavelle, were Government appointees. This board was intended to act until the unification of the Grand Trunk with the other Government-owned roads could be completed, when the control and operation of them all was to be assumed by the board of directors of the Canadian National Railways. Unification has not yet been completed, but the Minister of Railways announced the intention of the present Government to carry out this policy of its predecessors, with a measure of decentralised control in regional districts. This, apart from other virtues it may possess, will go some distance to meet the demands of certain of the electorate of the maritime provinces and their representatives, that the Intercolonial Railway, which was built in fulfilment of a condition made by these provinces upon their entry into the Confederation, should be returned to local—some have even demanded the former unsatisfactory and unprofitable political—control. Government ownership is, the Minister announced, to be given a fair trial.

The main interest of the report is, of course, on its financial side; for the enormous and increasing deficits of the two years preceding the last had aroused much misgiving, and the acute economic depression and resulting decrease of traffic of last year produced a feeling of apprehension, which the report, happily, is likely to quiet in some measure.

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As the Grand Trunk Railway only came under Government control in May, 1921, and as this system has not yet been consolidated with the other Government properties, and is still operated by a separate board, the net result of the finances of all the Government roads is difficult to summarise, but the following statements show the deficits on the two systems for the last two years, and throw some new light on the award of the arbitrators of the value of the Grand Trunk stock ; for it will be seen that the gain made by the roads now included in the national system is almost offset by the increased deficit on the Grand Trunk, which has not yet been included in it :

### *Canadian National Railway System*

	1920	1921
	\$	\$
Net deficit (apart from fixed charges) .. ..	34,310,815.58	15,896,018.62
Fixed charges .. ..	33,194,243.96	40,777,915.60
	67,505,059.54	56,673,934.22
Net deficit ..		

### *Grand Trunk Railway System*

	1920	1921
	\$	\$
Net income (before deducting fixed charges) .. ..	7,498,393.30	3,573,284.34
Fixed charges .. ..	14,025,637.07	19,245,583.68
	6,527,243.77	15,672,299.34
Net deficit ..		

The railway estimates show that the actual cash which is required for operating deficits, interest charges to the public, and betterments, for the present year, is \$84,955,552 as against \$119,078,392 last year.

### *Finance and Taxation*

The estimates for the present fiscal year have been tabled, and amount to \$582,000,000, as compared with \$613,000,000 for last year. There are decreases of expenditure on some services and increases on others ; the administration of

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naval, military, and air defence has been consolidated in a single department of National Defence, and last year's expenditure on all three services reduced by about four per cent. ; there has been a reduction of capital expenditure on railways, and the estimate for demobilisation has been reduced a good deal ; but there cannot be said to have been any considerable general reduction, as the total shows. The economic depression of the past year considerably reduced the estimated revenue from last year's budget, and the present year's, which will not be disclosed till later, is awaited with interest. No forecast of its contents has been made. The Progressives are insistent upon reduction of the customs tariff, and dislike the sales tax ; but, as a huge sum has to be raised, they may, as a result of the depressed condition of industry, be inclined not to press their views this session as energetically as they otherwise might, provided the Government gives earnest of its willingness to meet their views when economic conditions improve.

The whole system of Canadian taxation, Dominion, provincial and municipal, requires overhauling. As it has been estimated to take annually from the pockets of the people, under all three jurisdictions, but 15 per cent. of the national income, it is possibly not excessive in its general burden ; but it is faulty in incidence ; there is much overlapping by different jurisdictions ; and a conference of experts might do much to improve it. Constitutionally, Parliament is empowered to raise money by any system of taxation, and the provinces are restricted to direct taxation ; but this division is inadequate. Formerly the Dominion relied chiefly on customs and excise revenue, but these sources produce a much smaller proportion of the required national revenue than formerly, and the principle of customs duties, so far as it is protective, is now challenged by a large and vocal part of the whole population. The Dominion has entered the field of direct taxation by imposing an income tax, a form of taxation also imposed by muni-

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palities, and even suggested as a source of provincial revenue by the province of Manitoba ; the consequence may be that a resident taxpayer will be subject to income taxes under three jurisdictions. The field of inheritance taxes has been left to the provinces, and here, at least, there is no duplication ; but the result of conflicting jurisdictions over an estate in more than one province is an argument for this field being a Dominion preserve. At all events, even if questions have to be settled on practical grounds rather than on those of principle, there should be conference and agreement upon a scheme which would be more even in incidence, cheaper in administration, and more productive in results than the present chaotic arrangement.

A radical budget, however, and a drastic re-arrangement of taxation are not to be expected this session. The issues involved would be too contentious for the Government to face at present. The question of railway freight rates and of the reconstitution of the Canada Wheat Board are likely to prove sufficiently dangerous for one session. On both matters the Progressives appear to have made up their mind, and their attitude is hardly likely to prove welcome to the strong individualistic wing of the Liberal party. But consideration of these questions had better be deferred to the next number of *THE ROUND TABLE*, when the situation in regard to them will have cleared.

### II. THE ECONOMIC SITUATION

**T**HE problem which faces Mr. Fielding on his return to office as Minister of Finance is exceedingly difficult. He must find a sum almost equal to last year's for the expenses of ordinary administration and for the interest on debt ; he must meet a smaller, but still a very burdensome, railway deficit ; and the national revenue will certainly be far from the amount required. Further, \$195,000,000 of Victory Loan matures in November, and arrangements will have to be made for refunding it ; and there is an additional

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unfunded debt of \$150,000,000 owing to the banks by the Government, which the banks at present, with trade depressed, are well enough able to carry, but for which new arrangements ought soon to be made.

Two questions call for Mr. Fielding's decision: first, how much of his total requirements he should attempt to raise by taxation and how much by borrowing, and, secondly, where the borrowing should be done.

As to the first, the consensus of informed opinion seems to be that the limit of taxing power has been almost, if not quite, reached, and that for some years to come our national expenditure must be met in part by further borrowing. It is argued that any attempt to impose additional taxation would merely have the effect of further handicapping trade and industry by increased costs. Moreover, it is not considered that there is any lack of wisdom or propriety in resorting to loans at the present time. The national deficits will be chiefly, if not wholly, made up of railway deficits, and these, with the filling up of the open spaces in Canada, should before long give place to a surplus which will eventually take care of the loans contracted in the meantime. Sir Clifford Sifton, who speaks with authority, estimates that with 500,000 new settlers on the land our railways should carry themselves.

The second question is, where is the borrowing to be done? With the easier money conditions it is probable that the \$195,000,000 of maturing loan could be reabsorbed in Canada at a rate no higher than the present and with the advantages that interest would be paid at home and that bonds free of income tax would be replaced by others not so privileged. Possibly an additional amount could be borrowed as well. It may, however, be doubted whether this would be wise. Too much borrowing at home may be almost as bad as too much taxation. It may strip the market of money which would otherwise have been available for the development of business, thus retarding that development; and there is considerable support for the

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view that the Finance Minister would do well to raise a substantial amount abroad. Foreign borrowing could now most readily be done in the United States, either by a direct Government loan or by the sale of Government railway securities guaranteed by the Government itself, since this type of security is popular in the United States.

Such in brief is the Finance Minister's problem; the solution which he offers should have been made public before this article is in print.

In considering general business conditions we find the situation substantially different in each section of the country. In British Columbia conditions have been quite good in fishing and lumbering, though the mining industry has been depressed. The demand for lumber from China and Japan has been responsible for a very considerable activity in that business. At the present time, however, the oriental demand is slackening and shippers are looking for new markets.

In the prairie provinces the indifferent result of the 1921 crop, due to excessive rains during harvest, combined with a sudden drop in the price of wheat, high railway rates, and high prices of manufactured commodities, has borne heavily on those farmers who did not use the prosperous years of war prices to prepare against a rainy day, still more a rainy season. At the same time, however, interest collections by the Loan Companies have been much better than they anticipated and more principal has been repaid than they expected in the autumn. It is also probable that the sharp lesson of 1921 will induce the farmers of Western Canada to resume mixed farming; they had made considerable progress in this direction by 1913, but they largely discontinued mixed farming during the war on account of the high price of wheat.

Nevertheless, the position of the western farmer raises a problem which all thoughtful men in the country desire the Government to face. The western farmer rebels against the fact that his produce, especially wheat, is being sold



## The Economic Situation

for the most part in a world-wide unprotected market,\* while he buys in a national protected market. He has seen his selling price come rapidly down towards the pre-war level, while railway rates are up 50 per cent., and the cost of nearly all his supplies is far higher than in 1914. His natural inclination is, of course, to demand a reduction in the tariff, though he realises that the tariff, however unpopular, provides two-fifths of the national revenue and cannot be ruthlessly swept away. He accordingly admits the necessity of a tariff for revenue, but of course the task of delimiting the boundaries between a revenue tariff and protection is very difficult. With the strong influence of Quebec in the present Government, he has little expectation of drastic changes in the duties.

Although manufacturing is becoming an important element in the prairie provinces it is relatively far less important than agriculture. What manufactures there are have been depressed, and the mining industry (mainly coal) has also been in an unsatisfactory state.

In Ontario the farmers had a crop below the average, and they also suffered from the low price of their products. They are, however, less dependent on world prices than their brothers in the West, as mixed farming is the rule and not the exception and much of the produce is sold in the home market. The Ontario manufacturer has had a bad year and has in many cases suffered heavy losses. Several important trades, such as the agricultural implement and furniture trades, have been nearly closed down, and steel concerns have felt the depression which has affected the industry all over North America. The mining industry is in a state of coma, with the exception of gold mining, which has recently experienced a great stimulus. The building activity which has come with spring should have a beneficial effect upon the price of building materials and should also stimulate general manufacturing.

\* The British market, which absorbs the bulk of Canadian wheat, is, of course, open to world-wide competition.

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Quebec seems in a happier position than Ontario. First, her 1921 harvest was better than in Ontario and the West. Secondly, labour in Quebec is not so highly organised as in Ontario and reductions in wages have been more readily accepted, with the result that manufacturing costs are approaching the 1914 level; manufacturers in Quebec, therefore, have been in a better position to secure contracts. Thirdly, though large distributors of goods in Quebec have found trade dull—more so than in Ontario—Quebec is the centre of the pulp and paper industry, and this continues to find a good market in the United States; the textile industry, an important factor in Quebec, is also doing fairly well.

Conditions in the maritime provinces are rather depressed. The fishing industry has been good, though it is not by itself sufficient to make up for the slackness in steel, coal, and lumber. However, the inhabitants of the maritime provinces are conservative by nature and their commitments are not heavy enough to cause them any real anxiety for the future.

In spite of the great shrinkage in values, the banks and other financial institutions have come through the ordeal of 1920-1921 on the whole with flying colours. The Merchants' Bank is the only one which has got into difficulties, and its troubles were due apparently not to any inherent weakness in the situation but to errors of judgment on the part of its responsible officials. Trust, loan, and insurance companies have generally come through well; and though some brokerage houses have failed, the effect of this on the general community has been small. Bank deposits and loans have decreased, but not to any very marked extent, probably not more than could be accounted for by the drop in prices. The fall in prices has been responsible for the failure of some commercial and manufacturing concerns, and not unnaturally there have been more failures in 1921 than in 1920, but, broadly speaking, the banks have been able to carry over those enterprises which were sound and

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deserved their assistance. They have been better able to do this than the banks in many other belligerent countries because the investing public took up the war loans, and the banks were not obliged to carry a large amount of Government securities.

Those who are best informed do not anticipate a rapid improvement in business. In a country where half the population derives its living directly from agriculture, prosperity depends on good crops and good prices. On the law of averages, the West, which has had several poor crops, should have a good one this year. The ground has been more thoroughly saturated than for many years during the autumn and winter, and those best qualified to predict anticipate that this year's crop will be good. If this should be so, and if the present world prices of wheat continue, the influence on Canadian prosperity—both East and West—would be very marked.

A substantial number of settlers on the land would, of course, improve the situation, and the question of immigration is attracting much attention. Sir Clifford Sifton, during whose administration as Minister of the Interior under Sir Wilfrid Laurier the real influx of settlers into Canada began, has been strongly urging the necessity of bringing in settlers who will go on the land—conversely, he has been protesting against allowing in settlers who will not go on the land—and he has pointed out that there are still huge tracts of land available for those who by character and training are able to live the life of pioneers in a northern latitude. He urges with great force that the immigrants should be carefully selected and that the country should seek quality rather than quantity. He estimates that if 500,000 farmers are placed in the West in the next ten years, the influx will be as rapid as it would be wise to aim at; allowing four to a family, this would give two million settlers.

While manufacturers think, and probably rightly, that the bottom has been reached, they are loath to prophesy

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any rapid improvement. Canada usually follows about three months after the United States, both in depression and recovery. This was the case in the present depression, and, if this law holds, an immediate recovery is hardly to be expected, because, in spite of repeated optimistic statements, the United States can hardly be considered to have made much progress as yet towards better times. It seems the part of wisdom not to look for a rapid improvement of conditions but rather for a continuation of the process of shaking out weak enterprises and for a substantial improvement in those solidly based. It is difficult to see how the conditions of the boom times from 1903 to 1912 can now be repeated, and how there can be ahead of us a similar period of rapid construction, bringing vast sums of money into the country, stimulating business and increasing land and other values. The expansion then was largely due to the construction of new enterprises, mainly railways, but now there is a sufficient railway mileage to take care of a very much larger population than we have.

It will be by no means an unmixed evil if progress is gradual. The rapid development of 1903-1912 was not free from certain inherent weaknesses caused by inflation and speculation. A period of steady growth which will force farmer and manufacturer alike to organise their production on such a sure basis that it will be economically sound in normal times and not merely in boom times will be a blessing to the country in the end.

Canada. April 19, 1922.

## SOUTH AFRICA

### I. THE STRIKE

IN the last number of *THE ROUND TABLE*\* the story of the strike on the Rand and in the coal mines of the Transvaal was brought to the stage when the Conference, which sat in Johannesburg under the chairmanship of Mr. Justice Curlewis, broke down. Never during its sittings, which occupied thirteen days, did it approach a settlement of the problems before it, except on the point at issue in the engineering shops, which it was agreed should be referred to arbitration. This failure may largely be attributed to the fact that a verbatim record of its proceedings was taken, which made it difficult for either side to make admissions or to search for solutions.

The breakdown of the Conference was followed by several abortive attempts at a settlement. On January 27 General Smuts addressed a letter to the Federation, in which, after reviewing the history of the dispute, he pointed out that the gains from it to date were *nil*, and that the issue was not the colour bar, but the saving of the low-grade mines. He then offered the services of the Government, if approached by either side, to explore any avenue for a settlement. This invitation was followed on January 29 by the Chamber of Mines making the following proposal:—

That the average ratio of Europeans to natives on the gold mines be fixed for a period of two years at not less than 1 European to

\* *ROUND TABLE*, No. 46, March 1922, p. 439.

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10·5 natives, this figure to be calculated over each calendar year, the industry being under a definite obligation to the Government that the ratio be adhered to. Within the limits of this ratio the industry shall be entitled to make such rearrangements of its work as it thinks fit, including the right to dispense with employees whom it does not require, but subject always to the mining regulations, and to existing agreements as to hours and basic rates.

In the past the ratio of Europeans to natives has on some mines been as high as 17·1, and on others as low as 8·3. Nevertheless, the adoption of a ratio of 10·5 means the eventual elimination of approximately 4,212 white workers. The Federation therefore refused this proposal and expressed the opinion

that a ratio progressively favourable to the white race (until the population ratio\* is reached) should be established by law for every industry except agriculture, and that all new industries or mines opening up from now should do so only on a population ratio basis.

This principle of a ratio, which has thus been introduced as an addition to the colour bar, is a new development in the evolution of the problem. Probably in future controversy will rage more around it than around the colour bar, for the latter protects the skilled white worker only, whereas the higher the ratio of white to coloured the more unskilled or semi-skilled whites must be employed. Applied to the mining industries, a population ratio would be entirely fatal. Very few mines of any description could be worked profitably on such a basis. But as regards other industries, the most recent returns indicate that the strict enforcement of a population ratio at the present time might act detrimentally to the whites. Thus in the Cape Province the percentage of whites to coloured employed in manufacturing industries (including building) is 39. In the Transvaal it is 40. The most remarkable result is shown in metal, engineering, machinery and cutlery works, in which the percentage in the Cape is 63, and in the Transvaal

\* Such a ratio would be about 1 to 4·5.

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50. These figures prove that in the industries in question not only is the population ratio more than maintained by the white man, but also that in the Cape, where there is no legal or customary colour bar, the white man, at all events at present, has no difficulty in holding his own.

The Chamber of Mines could not, of course, accept the population ratio ; but on February 6 they offered to forgo the retrenchment of 1,000 white men on the higher-grade mines, out of the total of 2,000 on all the mines, who would fall to be retrenched if the *status quo* agreement were abrogated, until the whole question could be discussed by an impartial Government Commission. This offer the Federation also refused.

In the meantime the Federation had accepted General Smuts' offer of the Government's services, and appointed five delegates to interview him at Pretoria on February 4. At this conference the Prime Minister proposed that all men should return to work on the best terms they could secure, such terms to be subject to modification and readjustment in the final settlement, which was to be arrived at by the appointment of an impartial board of enquiry, whose report would be submitted to Parliament, the Government undertaking to give effect to it if Parliament approved. But the Federation would agree to nothing less than a resumption of work on pre-strike conditions. They were willing that an impartial board should inquire into the subjects of the dispute, but made an exception as regards the *status quo* agreement, which they demanded should remain in force unless the board made recommendations providing for more adequate protection of white workers in the industry. These counter proposals General Smuts could not, of course, accept, as they offered no solution of the problem of the low-grade mine. The week following, on February 11, he issued a statement in which, after referring to the Government's efforts at first to prevent the strike and then to settle it, he declared that unless work was resumed immediately the loss to the workers through

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unemployment must inevitably be far greater than the sacrifices they were originally called upon to make in order to save the low-grade mines. Under such circumstances victory became meaningless, and the only course open was to end the strike without delay. He declared, therefore, that it was useless to waste further time in trying to find satisfactory terms of settlement, and that the final settlement must be left to Parliament after an impartial enquiry had been held. Finally he appealed to the Federation to call off the strike on the basis of the Chamber of Mines' letter of January 29, plus their concession of February 6; and to the mine-owners to restart the mines, and he promised police protection to all miners who returned to work.

Accordingly on Monday, February 13, all the mines were reopened, but the response of the men was at first rather meagre. Apart from their natural dread of being classed as "scabs," this backwardness in returning to work was, no doubt, due in part to the opinion conscientiously held by many of the moderate men that the fight was in very truth a fight for a white South Africa; but probably in a greater degree to the activities of the commandos (the name given to bands of strikers and others which spent their time in drilling and marching about the streets), which had by now risen into prominence.

After the breakdown of the Johannesburg Conference on January 27, the dispute assumed a more political character. On January 30 the Federation issued the following communiqué:—

1. That in the opinion of the Augmented Executive of the South African Industrial Federation and the Joint Executives of all unions concerned in the present disputes the attitude of the Prime Minister indicates that the Government is backing the present attack by the employers on the white workers, both in reducing their standard of living and curtailing their opportunity of employment. We therefore request the workers and also all sympathisers to take the necessary steps in conjunction with ourselves to defeat the present Government and substitute one calculated to protect the interests of the white race in South Africa. That with this end in view a conference



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be arranged at once with representatives of the Opposition parties in Parliament to investigate what immediate steps can be taken to remedy the present situation, and that invitations be extended to all bodies which can and are desirous of assisting to come and offer their services for the foregoing objects.

2. That all strike committees are instructed to take any necessary steps they may deem fit to stop all scabs continuing to work, and from now onwards they have full powers to do anything they desire to bring the present strike to a successful issue.

The invitation contained in the first paragraph was quickly taken up by the Nationalists, more especially by Mr. Tielman Roos, the leader of that party in the Transvaal. They became increasingly involved in the strike. For some years they had formed the majority of the Mine Workers' Union, whose secretary was a member of their party. They kept the strike going by supplying food contributed by their farmer supporters. They encouraged the strikers by declaring on every possible occasion that the country was behind them, and that an infamous alliance existed between the Government and the Chamber of Mines, thus prejudicing in advance any attempt by the Government to bring about a settlement. They formed the majority in the ranks of the commandos, and with very few exceptions provided the commanding officers.

The idea of holding a conference was translated into action by Mr. Roos, who invited members of Parliament to attend an informal meeting at Pretoria on February 6. The keenness of the rank and file, however, somewhat outran the discretion of the Nationalist leader, for on February 5, at a mass meeting held at the Johannesburg Town Hall, they set the pace by passing a resolution :—

That this mass meeting of citizens is of opinion that the time has arrived when the domination of the Chamber of Mines and other financiers should cease, and to that end we ask the members of Parliament assembled in Pretoria to-morrow to proclaim a South African Republic and to form a provisional Government for this country.

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When the "Parliament" (consisting of Transvaal Nationalist and Labour members) met on the following day the Labour members who presented this resolution had a distinctly chilling reception from their Nationalist colleagues, and the assembly confined itself to repudiating any idea of pursuing such a revolutionary course, and broke up without accomplishing anything except providing a very welcome comic relief. Nevertheless the close co-operation between the Labour Party and the Nationalists to defeat the Government still persists, and is the most important political result of the disturbance.

The effect of the second paragraph of the Federation's communiqué of January 30 was equally far reaching. It was a call to local strike committees to take more active steps in prosecuting the war. The instrument for doing so was provided by the commandos. This organisation of the strikers and those who sympathised with them into military commandos, which employed themselves in intimidating "scabs," was one of those developments which emerge by a kind of spontaneous generation out of a crisis. They were defended by the constitutional section of the Labour leaders on the grounds that they were intended to keep the strikers occupied and in good condition, and that they would help to preserve law and order. The suggestion was even made that that fundamental duty should be entrusted to them. Mr. Boydell, the Parliamentary leader of the Labour Party, welcomed them as a new development in industrial disputes, and prophesied that the example would be followed in other countries. Naturally their effect was to arouse military ardour, and when the revolutionaries got control the commandos provided them with a ready-made army. They held meetings daily in the Johannesburg Town Hall and along the Reef, and passed resolutions, sometimes demanding a republic, and at others a general strike, and were at all times a very disturbing element in the situation. Nevertheless, during the second half of February the situation, mainly owing to the farcical

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republican resolution of the 5th, steadily improved. The position on the coal mines was satisfactory, and the number of men returning to work on the mines showed a progressive increase. Most people were of the opinion that the strike was fizzling out, and that it was only kept going in the vain hope that the meeting of Parliament might result in the defeat of the Government on the colour question. The fact that this problem is an embarrassing one for all parties was the only justification for this hope, and it therefore became a matter of urgency to debate the strike in Parliament and take a vote on it. The debate began on February 22, on a motion proposed by General Hertzog, and was only brought to an end by an all-night sitting, which lasted till 9.30 a.m. on February 28. General Hertzog's motion, of which the inordinate length precludes quotation in full, opened with a declaration that in the interests of the country no change should be made in any law, custom or agreement by which the sphere of employment of Europeans might be curtailed in favour of native labour, and instructed the Government to take legislative action to prevent any such curtailment. It then proposed the appointment of a Select Committee, which, after both sides to the dispute had notified their willingness to resume work, was to report within seven days the terms and conditions of such resumption. These terms, however, were only to be provisional until a Commission, also appointed by the Select Committee, had had time to inquire into the whole matter and fix final terms of settlement. This motion could not, of course, be accepted owing to its strict adherence to the *status quo* agreement, and the Government's attitude was made clear by an amendment in the following terms :—

This House resolves that it is in the best interests of the country and the men on strike on the Witwatersrand that the latter should follow the advice of the Prime Minister and return to work immediately on the best terms obtainable at the moment pending an enquiry by an impartial board to be appointed by the Government.

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This House is of opinion that the board should deal with the issues raised by the strike and consider what changes are required in the conditions and organisation of the gold mining industry so as to enable that industry to carry on its business on a sound economic basis and to afford, under proper conditions, employment to as large a proportion as possible of the community which is at present dependent on it ; and that the findings of the board be laid before Parliament as early as possible this session for consideration and such action as may be necessary.

This amendment was carried by 69 votes to 55. Meanwhile, because men were returning to work in fairly satisfactory numbers, the violence of the commandos increased. "Scab" hunting became their daily occupation, and several indescribable outrages were committed. The Government was obliged, therefore, to take greater cognisance of their activities, and on February 22 issued the following notice :—

Whereas it has come to the notice of the authorities that gatherings styled commandos are utilised for the purpose of interfering with people who are lawfully proceeding to, returning from, and engaged on their work, now therefore it is notified for general information that gatherings such as commandos, or gatherings of smaller bodies of persons for unlawful purposes, such as interfering with men who have returned or wish to return to work, or with their households, or attempts to damage any mine or other property, are unlawful assemblies under Common Law, and will be dispersed by the police.

Five days afterwards the first encounter between the police and a commando took place. Early in the morning of February 27 two troops of police came in contact with the Edenvale and Driefontein Commandos at Boksburg, and on their showing fight, the police charged with batons. A hand-to-hand scuffle ensued, and the Government forces captured 27 prisoners. On the day following the Boksburg Commando determined, so it is alleged, to release these 27 men. On their way they were met by the police under Captain Fulford, and when requested to disperse, stones were thrown, and a shot was fired by a striker from a neighbouring tree. The police were compelled to reply,

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and three strikers were killed\*—one by a bayonet thrust. This was the first blood shed.

The discomfort suffered by the citizens of Johannesburg during these disturbing times was further accentuated by trouble which arose at the Municipal Power Station. After the coal miners came out on strike on January 2 the coal mines had continued to produce coal by means of the mine officials and the natives. But coal thus produced was at once declared "scab" coal so far as the Johannesburg Municipal Power Station was concerned, though its use by the railways, by other municipalities and by the strike leaders themselves in their own homes was not interfered with. The logic of this decision is difficult to understand, but it may be explained by the fact that the Johannesburg Municipal Power Station, having been the centre of the extreme industrial movement for some years, was too important a strategic position to be left untouched in a strike of such magnitude.

At first the municipality were able to keep their services going by buying odd consignments of coal from various sources, which were passed as "clean" by the Federation. Eventually, however, these supplies became exhausted, and so the Town Council decided to brave the disapproval of the Federation and to use "scab" coal after February 27. A strike of the Power Station staff followed. But preparations had been made to run the engines for lighting purposes only by a volunteer staff provided by the technical and scientific institutions, and these were carried out, under police protection, after two nights of darkness, and continued until the end of the revolution. Thus the month of February closed with the first bloodshed and with Johannesburg plunged into darkness. Nevertheless, the prospects of a peaceful settlement still seemed good owing to the obvious anxiety of many of the men to get back to earning their living.

\* Evidence at the inquest proved that the only man shot was shot by the Commando's fire.

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The Federation was quite alive to this aspect. Matters could not be allowed to drift indefinitely, as there was a danger of a general rush to return to work, regardless of the Federation. On February 21 they had put forward fresh proposals for a settlement which the Chamber of Mines had found impossible of acceptance, and so on March 4 they wrote suggesting a fresh conference. The Chamber of Mines replied immediately in a letter the tone of which the Prime Minister rightly characterised in the House of Assembly as "deplorable." The following extract will serve as a sample :—

The urgent necessity now is not to hold debating society meetings, but to get the mines working without delay. The Chamber's original proposals would have kept them working, but the Federation preferred to force a strike. The Prime Minister's proposals, if accepted, would have restarted them ; and the Chamber expressed its willingness to accept those proposals ; but the Federation rejected them. Now the Chamber has made an attempt to start the mines on its own account. That attempt is succeeding to a very considerable and rapidly increasing extent. The Federation, in the obvious desire to obstruct that attempt, proposes to substitute for it an opportunity for their orators to expend a few more million words. The Chamber will be no party to such an absurd and obstructive proposal.

Having thus failed in securing a fresh conference, the Federation decided to submit a proposal to the joint executives of the unions concerned in the strike, that a ballot be taken whether the men should return to work pending the finding of a commission as proposed by the Government. The meeting at which this proposal was discussed began at 10 a.m. on Monday, March 6, but the executives attending it met as prisoners. A sudden and dramatic change took place. The Trades Hall and the street outside were invaded by a mob of armed extremists, which prevented the meeting adjourning until, instead of a ballot, it had declared for a general strike. From this moment the revolutionaries were in full control.

# The "Revolution"

## II. THE "REVOLUTION"

THE outbreak of revolutionary violence on the Witwatersrand has been nicknamed the "revolution"; fortunately it never actually reached the stage when such a title would have become appropriate, but the situation was for a time extremely perilous, and conditions of civil war existed on the Rand for nearly a week.

In the light of after events, it seems right to date the outbreak of the "revolution" from the declaration of the general strike, but at the time there were reasons for taking a less serious view of probable developments, principally because the response to the call for a general strike was exceedingly small. In the Transvaal the building trades, tailors, bakers and waiters came out, and a few artisans in the railway workshops. The shop assistants, whose union is not affiliated to the South African Industrial Federation, and the Government employees in the Post Offices and the Telephone Exchanges remained at their work, and the first disturbances in Johannesburg were caused by attempts of commandos to pull them out. The men who had returned to work on the mines remained at work. Elsewhere throughout the Union the response was negligible. These facts caused the Government to decide not to declare martial law immediately but to await developments. In his defence of the Government on this point, General Smuts frankly admitted the risk which had been run :—

I told my colleagues that I thought the possibility might arise that for a couple of days, if we delayed the declaration of martial law and the calling up of the Burghers, it might be possible that we might lose our hold of the Witwatersrand. That matters might get out of hand and that a great deal of destruction might take place, such

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as, indeed, has taken place. We ran the risk. Even with that risk the Government said "Let us run it." If there are revolutionary forces brewing in this country, if we are continually walking on the edge of a volcano, let the country see it; let us, at the risk of a couple of days' revolution in Johannesburg, delay the declaration of martial law and let the situation develop.

The "revolution" being safely over we may, perhaps, be grateful for this "wait and see" policy, for it resulted in the revolutionaries showing their hands. The tortoise put its head out to the fullest extent. Nevertheless it is inconceivable that the Government would have taken such a risk had it had any real conception of what it entailed. However this may be, we had not to wait long for the revolutionaries to show their hand, and their first real move took the peculiarly dangerous form of organised attacks on the natives in order to goad them, if possible, into committing excesses. Wednesday, March 8, saw such onslaughts in various places. Some natives were besieged in a Ferreirastown yard and butchered. Similar events occurred at Fordsburg, Sophiatown and Langlaagte. At the New Primrose Mine near Germiston there was a collision between strikers and natives outside the compound and two natives were killed and also a young miner named Webbstock. These attacks were the work of the revolutionaries. The Federation attempted to disown them by at once issuing a notice to the effect that it had received reports that bodies of strikers were "attacking natives wantonly" and instructing strikers that such conduct must cease forthwith, because "provoking natives to disorder must have far-reaching consequences for the whole community." But the Federation was no longer in control. It had been superseded by a Council of Action and by the untrammelled will of the commandos. The day following these attacks the Government mobilised six units of the Active Citizen Force and through the Ministers of Justice and Defence, who had remained in Pretoria to deal with the crisis after the rest of the Cabinet had gone



## The "Revolution"

to Capetown for the opening of Parliament, issued the following notice :—

During the last few days in Johannesburg and surrounding districts armed attacks have been made by certain Europeans on natives and coloured persons without the slightest provocation. These attacks have resulted in several being killed and wounded by rifle and revolver fire. The Government has information that these deliberate and unprovoked attacks, amounting in certain particular cases to wilful murder, are designed to stampede the coloured population and to give the impression throughout the country that a native rising on the Witwatersrand is imminent, and that the lives and properties of Europeans are in danger.

They then proceeded to give every assurance that such was not the case, and that any collisions that had occurred were due entirely to the natives trying to defend themselves against aggressive and unlawful acts. Here it is right to bear witness to the exemplary conduct of the large native population along the reef during the whole of the disturbances. With remarkable instinct they gauged the situation with precision, and refused in any way to play into the hands of those who, they saw clearly, were certainly not desirous in any way to benefit them.

Thursday, March 9, was comparatively quiet, and the rebels spent the day in attending the funeral of Webstock. But at an early hour on Friday, March 10, the revolution broke out to its fullest extent. Attacks were made upon police camps and police stations at a number of different points all along the Rand (a scattered line of towns and mines 60 miles long, of which Johannesburg is the central point), with the result that the small Government forces immediately available were paralysed, and throughout the greater part of the area the revolutionaries had for the time being the upper hand.

General Smuts, in a statement to Parliament, described the situation as he found it on the evening of Saturday, March 11 :—

I do not think that the gravity of the situation as it then was has been sufficiently appreciated. I may say this, that Johannesburg

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could not be entered at any point without having, shall we say, to run the gauntlet. Practically the whole of the Witwatersrand, from one end of the reef to the other, was in possession of the revolutionaries, with the exception of two places. One was Boksburg, which was held by General van Deventer, and the other was a small portion in the centre of Johannesburg consisting of Park Station, the Law Courts, and just that immediate narrow centre of Johannesburg. The rest of the Rand and all Johannesburg itself—all the suburbs—all the entrances to it, were commanded by the revolutionaries. The danger was very grave indeed at that stage. Even that centre might go and a very serious situation might arise. . . . There was very great danger that great bloodshed, slaughter and murder might set in such as might take one back to the French Revolution.

The position was particularly serious at Benoni, where heavy street fighting occurred, the hottest fire coming from the Trades Hall, which was strongly held by the revolutionaries. Fortunately, at 5 in the afternoon, this stronghold was struck by a bomb dropped by an aeroplane. The Brakpan mine also was attacked by the Putfontein Commando in overwhelming numbers. It was defended by a small guard of mine officials and special constables, under Lieutenant Brodigan, thirty-five men in all. They were badly armed, and when their small stock of ammunition was exhausted and five of their number had been wounded, they surrendered, and threw down their arms. Revolutionaries then rushed in, and made a savage onslaught on these unarmed men, clubbing the wounded with the butt ends of their rifles; the total casualties in the garrison of 35 were eight killed, including Lieutenant Brodigan, and 23 wounded. At the same time heavy fighting began in the centre of the reef at Fordsburg, at Newlands, where a small force of police was overpowered and disarmed, and at Jeppe. The only effective Government forces available early in the morning of Friday to deal with this sudden emergency were the police, the Permanent Force, who together numbered just over 3,000, and a few aeroplanes. The six units of the Active Citizen Force, which had been called up on the previous day, were ready to take the field

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during the course of Friday, but even with this assistance the Government forces only just succeeded in holding their own. Fortunately the revolutionaries did not realise their opportunities. They suffered from the lack of a directing staff, and in consequence conducted the campaign as independent bodies without any co-ordination, and thus enabled the Government to defeat them in detail.

Faced with this situation the Government proclaimed martial law on the morning of Friday, March 10, and the Prime Minister himself left Capetown and arrived on the scene of action at midnight of March 11-12. He left the train at Potchefstroom, motored from there, and was fired at by revolutionaries as he entered Johannesburg. All available forces were mobilised. The Durban Light Infantry within six hours were entrained and on their way up. The neighbouring Burgher Commandos, who form Class B of the Citizen Force Reserve, were called up, and with their unique powers of rapid mobilisation were ready for action on the 13th. The total of the Government forces employed in suppressing the rising is shown in the following table :—

Permanent Force	.. .. .	499
Specially enlisted short service unit	.. .. .	123
Active Citizen Force and Class A Reserve	.. .. .	4,774
Commandos (Class B Reserve)	.. .. .	6,416
South African Police	.. .. .	2,634
Special Constables	.. .. .	964
Civic Guard	.. .. .	3,714
	<hr style="width: 100%;"/>	19,124

As soon as these forces began to arrive the situation rapidly changed for the better. On Sunday, March 12, General Beves carried out very successful operations in the Brixton, Newlands and Auckland Park area, where two squadrons of police had been besieged for two days by a large body of revolutionaries. These operations resulted in the capture of over 2,200 prisoners and the relief of the

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police. On Monday Sir Jacobus van Deventer, with his Burgher Commandos, cleared up Benoni and Brakpan, without meeting any serious opposition, and captured over 4,000 prisoners. On Tuesday, at 11 a.m., General Beves, after warning the women and children, by means of leaflets dropped from an aeroplane, to leave before that time, commenced the bombardment of the revolutionary trenches in the market square of Fordsburg, while a simultaneous infantry advance was made from all directions. Early in the afternoon the rebels surrendered, and on the next day the Government was able to announce that the revolution was suppressed.

The losses sustained by the Government forces totalled 61 killed or died of wounds and 199 wounded. The casualties on the other side, including peaceful citizens who had the misfortune to be shot during the operations, numbered 138 killed and 287 wounded. Of the coloured population 31 were killed and 67 wounded. The total casualties, therefore, were 783. The arms and ammunition captured from the rebels amounted to 1,150 rifles, 231 shot guns, 745 revolvers, 1 machine gun, 43,519 rounds of rifle ammunition, over 6,000 rounds of shot gun ammunition, and 13,298 rounds of revolver ammunition.

As soon as the fighting ceased, there was a general rush to return to work, and to secure the much smaller number of jobs now available. The Federation, indeed, still talked of holding a ballot, but the unions took the matter into their own hands and called the strike off; and the Miners' Union passed a resolution repudiating the rebellion. It is as yet too soon to say how much of the old trade union organisation will survive the wreck. Events such as those which took place between March 7 and 15 cannot but leave a legacy of bitterness and strife, which will be accentuated by the increased unemployment which perforce must follow them. Added to this the new combination of the Nationalist and Labour Parties is now busily fishing in these troubled waters.

# Parliament and Indemnity

## III. PARLIAMENT AND INDEMNITY

THE declaration of martial law to deal with the crisis on the Rand has had its natural sequel in the introduction of an Indemnity Bill, which has already occupied the House of Assembly for nearly a month and has not yet passed its second reading.

General Smuts on his return from the Rand, where he took personal control of the situation for the week March 11 to 18, announced that the Government had decided not to try prisoners charged with serious offences in connection with the disturbances by military tribunals under martial law but to leave them to the ordinary civil courts. This statement was subject to the qualification that the machinery provided by statute (the Riotous Assemblies Act, 1914) for the trial of cases of high treason, sedition, and public violence, as an alternative to trial by a judge and jury—namely, a special court consisting of either two or three judges of the Supreme Court—was to be rendered available for the trial of murders and certain other serious offences. Such a special court may be set up for the trial of any case of the classes specified in which, in the opinion of the Attorney-General, the ends of justice are likely to be defeated if the prisoner is tried by a jury. The Indemnity Bill, therefore, in addition to the usual provisions of an Act of Indemnity for the withdrawal of martial law and for indemnification of all acts done in good faith by the Government or its officers during the martial law period for the purpose of suppressing or preventing disorder, provides for the necessary extension of the jurisdiction of such Special Courts consisting of judges only. This measure is obviously necessary, as under the circumstances at present prevailing on the Rand, jury trials could not be expected to give satisfactory results,

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especially as the juries would almost inevitably include persons who had themselves been actively engaged on one side or the other during the revolt.

General Smuts' formal motion for leave to introduce the Indemnity Bill was at once met by an amendment, moved by General Hertzog, demanding an inquiry into the events leading to the declaration of martial law, the extent of the disturbances, and any irregularities or excesses committed. The proposal was that this inquiry should be conducted by a commission consisting of members of Parliament. To this demand General Smuts replied that he had an open mind on the question of an inquiry, but he pointed to the difficulty of setting up any commission to inquire into the events of the revolution while the trial of offences by the Courts was actually in progress, as that would involve simultaneous investigation by two separate tribunals of the same set of circumstances; and he expressed the opinion that the question of a commission of inquiry should be deferred until the trials were over. This attitude was, however, reconsidered before the beginning of the second reading debate, and it was announced that the Government would grant an immediate inquiry, to be conducted, not by a Parliamentary, but by a Judicial Commission. This Commission has now been appointed and consists of two judges, Sir Thomas Graham and Sir John Lange, and is instructed by its terms of reference to deal with the following matters:—

(a) The events immediately preceding the declaration of martial law on the Rand and adjoining districts, and the question whether the declaration of martial law was justified, and whether the force used in the suppression of disorder was more than reasonable or necessary;

(b) The causes and circumstances, character and aims of the revolutionary movement in which the strike culminated;

(c) Any excesses or irregularities in connection with the disturbances or their suppression in so far as they could be enquired into without interfering with the course of justice in the trials in the courts of law; and

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(d) The behaviour of the natives immediately before and during the disturbances and the question whether they gave any occasion for any assault upon them.

The concession of the Nationalist demand for an immediate enquiry has not had the effect of smoothing the passage of the Indemnity Bill. The prolonged debate on the second reading has proceeded on the lines of a debate on a motion of no confidence, and the Nationalist and Labour Parties have combined to make a determined onslaught on the Government. The main facts as to the terrible events on the Rand have been too notorious to allow of the Government's action in declaring martial law being seriously challenged; but the Opposition parties have sought to fasten on the Government entire responsibility for the outbreak of violence, and have even gone so far as to charge the Government with having deliberately provoked this outbreak for its own ulterior purposes.

General Hertzog devoted the greater part of his speech to a bitter personal attack on General Smuts. He sought to show by reference to previous occurrences, such as the Rand industrial disturbances of 1913, the general strike of 1914, the rebellion during the early months of the war, and the affair at Bulhoek last year, that General Smuts is the hardened exponent of *platschiet politiek*—the practice of shooting men down as a method of government. In this particular case his contention was that General Smuts, following his accustomed plan, had deliberately allowed the situation to develop to a point when the strikers were driven by despair to commit acts of violence; and that the Government, having thus obtained the required pretext for calling out the troops and declaring martial law, then proceeded, in obedience to the dictates of the Chamber of Mines, to crush the strike by force and to break organised Labour. This monstrous accusation has been faithfully echoed by the Labour wing of the Opposition, which has also been at special pains to minimise the formidable character of the revolt and to blacken the conduct of the

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Government forces by seizing with avidity and quoting with gusto any story which can be used to their discredit.

The Government case has been fully presented during the debate, each Opposition speaker being promptly followed by a speaker from the South African Party benches. This method of procedure has been deliberately adopted, in spite of its inevitable effect in lengthening the debate, on the ground that it is essential to provide ample Government propaganda for the constituencies—more especially for the benefit of the country districts. Government speakers have not been content to remain on the defensive, but have, with increasing effect, carried the war into the enemy's camp. As regards its attitude towards the strike, the steps taken by the Government to bring about a peaceful settlement have been set forth in the earlier portion of this article with sufficient fullness to demonstrate the absurdity of the charge that it was sitting idly by, waiting and hoping for an outbreak of disorder, and its previous record, both in legislation and administration, is utterly inconsistent with a policy of hostility to organised Labour. The question is why all the Government's efforts for peace failed; and the answer, given with great force by the Government, is that their good intentions were frustrated by the mischievous activities of Nationalist and Labour politicians, who made unscrupulous use of the strike for the purpose of snatching party advantage. Both these parties combined to represent the Government as the obedient slave of the Chamber of Mines, and thus prejudiced in advance every proposal for a settlement. Both parties encouraged the strikers in their unyielding attitude by promises of political support; and the Nationalist promises in particular were addressed to men in whose minds they might well prove a deciding factor. But Nationalists went beyond merely giving promises. Mr. Tielman Roos, leader of the Nationalist Party in the Transvaal, wrote a letter to his supporters on December 30, just before the coal strike began, advising them to remain



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quietly on their farms during the coming industrial crisis, and on no account to give any assistance to the Government. This letter, which meant that if trouble arose on the Rand necessitating the use of military force, Nationalist burghers were to refuse to come out if called up under the Defence Act, was given the widest publicity in the country districts : it raised the hopes of the young Nationalists who formed the bulk of the members of the Miners' Union, and weakened the hands of the Government. Coming on the top of the vigorous anti-Government propaganda habitually indulged in by the Nationalist Press, it planted revolutionary ideas in the minds of the Nationalist strikers, which were fostered by their subsequent organisation into commandos. And the revolutionary elements in the Labour ranks were not slow to take advantage of this opportunity. The fiasco resulting from the premature passing of a revolutionary resolution on February 5 and its subsequent presentation to the Tielman Roos Parliament at Pretoria delayed, but did not destroy, the movement thus initiated. In the meantime no Labour leader, either among the trade unionists or the politicians, had the courage to tell his followers frankly that they must face the facts with regard to the low-grade mines as revealed by the Low-Grade Mines Commission. Instead they continued to inflame their minds by wild talk about the colour bar, the Chamber of Mines' attack on civilised standards of living, and the duty of the workers to maintain at all costs the ideal of a white South Africa. Every suggested concession to the inexorable facts of the economic situation was represented as "kowtowing" to a corrupt Government and avaricious employers. Meanwhile some Labour politicians took a prominent part in organising and stimulating the strike commandos, which were partly maintained by supplies sent up from Nationalist sympathisers in the country and distributed as rations. Thus a peaceful settlement was rendered impossible ; and while leaders of both the political parties, which were thus working in combination, professed

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with apparent earnestness to deprecate violence, they encouraged their followers to pursue a course which was found inevitably to end in violence.

Such in summary is the indictment framed by Government speakers against the united Opposition parties. The immediate result of the debate is, of course, not in doubt, and the Government will secure its normal majority ; but as affecting the political future of the country, the debate is important in two respects : First, it forms an unpleasant precedent, especially in the peculiar racial circumstances of South Africa, for the extension of party conflict to the point of refusing to grant the Government of the day indemnity for measures admittedly necessary for the purpose of suppressing an armed revolt. Secondly, it marks a very definite rapprochement between the two Opposition parties—Nationalist and Labour. Mr. Tielman Roos has defended his famous letter of December 30, telling the burghers not to respond to any call made by the Government for military assistance, by saying that he did not want Nationalists to put their noses on the Rand to help the Government against the workers, because by so doing they would spoil their chance of combining with the workers to form the Government of the country, as they would yet do. Moreover, though denying the existence of any alliance between the Nationalist and Labour parties, Mr. Roos has already pledged himself to the fullest co-operation with Labour in the Transvaal at the next general election—which is not due till 1926 : he announces that he will arrange, if possible, that only one candidate, either Nationalist or Labour, shall stand against the South African Party in each constituency, and hopes by this means to secure that not one single South African Party candidate is returned on the Rand. It is difficult to believe that parties divided so widely in all essentials of political faith as the Nationalist and Labour parties can find sufficient common ground to provide a basis for a permanent alliance, and there is no doubt that many typical Nationalists of the land-

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owning class view with repugnance this philandering with a Labour party whose political creed is based on socialism and the elimination of private property. But even a temporary *modus vivendi* patched up for the purpose of a general election might have very awkward consequences in reducing the Government's majority over the combined Opposition parties to vanishing point. And it is necessary to remember that the majority of the rank and file, to whom Nationalist racialism makes a strong appeal, are landless men for whom the golden promises of socialism have a very alluring sound.

It should be added that, in accordance with the intention of the Government as announced, and approved by the House of Assembly, before the outbreak of violence, an "impartial Board" has been appointed to inquire into the principal industrial issues raised in the strike. This Board consists of Sir William Solomon, one of the judges of the Appellate Division, as chairman; Sir Robert Kotze, the Government Mining Engineer; Sir Carruthers Beattie, Vice-Chancellor of the University of Capetown; and Mr. William Brace, Labour Adviser to the British Board of Trade, whose services have been specially lent to South Africa for the purpose. The reference to this Board includes the question of the future of the *status quo* agreement, which, as previously explained,\* embodies the conventional as distinct from the legal colour bar, the question of establishing and regulating a ratio of European to native labour in the gold and coal mines of the Transvaal, and the question of classifying the gold mines into one or more grades for the purpose of applying different ratios.

South Africa. April 21, 1922.

\* ROUND TABLE, No. 46, March, 1922, p. 433.

## NEW ZEALAND

### I. IN THE COUNTRY

THE condition of New Zealand during the past three months may be accurately sketched in a few strokes. A Government almost wholly engrossed in the task of reducing expenditure and increasing revenue: a rural population watching with gravest concern the English markets for their products, facing severe financial difficulties, and in many instances the actual or threatened loss of savings too readily invested in high priced land: the rest of the people for the most part fairly prosperous, but grumbling under the pinch of heavy taxation, and beginning to be uneasy about the general and indirect effect upon the country of the depression that is being felt so acutely by the farmer. The latter is in a very unenviable position. It is true that meat and wool have to some extent rallied from the slump which earlier in the year caused financial embarrassment through a large part of New Zealand, although even now the heavy accumulation of stocks makes the outlook uncertain for a long time to come. But to offset this improvement there has been an almost bewildering drop in the market for this season's butter and cheese, the result of which is, not merely disappointment, but a serious shortness of money for all who are engaged in dairying, and for many farmers a complete inability to carry on at all.

The butter and cheese trade is of enormous importance to this country. For 1921, butter alone headed the list

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of exports, amounting to £11,169,530 as against £11,165,273 for meat, £8,199,183 for cheese, and £5,221,479 for wool. This is the first time it has topped the list, and the figures must be read subject to the qualification that exports in the case of dairy products and meat have been inflated by the shipment of produce from previous seasons, and that wool and meat have been suffering from many adverse market conditions. Even in normal times, however, dairy products stand high in the list, while in assessing the value of the industry there is the important circumstance that the land devoted to dairying is divided into small holdings, and the number of persons interested is very large. This land has been changing hands very rapidly during the past few years, especially in 1919 and 1920. Butter-fat has steadily risen in value, and unfortunately the market price from time to time has been taken by the optimistic farmer and speculator as the measure of the permanent, intrinsic value of the land, very often something being added for a further prospective rise. Buyers were prepared to pay enormous prices; sellers were willing to accept little or no cash, taking second, and, in many instances, third or even fourth mortgages as security for their purchase money. For a time all went well. Butter prices soared, the dairy companies were advancing up to 2s. per lb. for butter-fat, and even then the close of the season showed a further handsome cheque for the farmer. Under these conditions it was easy to pay interest and to have plenty of money to spare. Warnings that land was too high were unheeded. That cry had been heard for years and the pessimists had always been confounded by results. Now the fall has come. Butter has tumbled, and the milk cheques have shrunk until many a farmer can no longer pay his interest bill. Instead of receiving an average advance of 2s. per lb. for butter-fat, as for 1920-1921, his advance for this season will average only 1s. to 1s. 1d., and at the present moment he is only getting 8d. or 9d. In many instances bankruptcy has

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resulted, a fate which for years has been almost unknown in the farming community. In others the farms have fallen back into the hands of the vendor-mortgagees. In others again these last have only been able to stave off disaster by granting concessions without which the dairy-farmer could not carry on. Share-milkers are being dispensed with and the farmer and his family are taking on the work themselves. There are some slight indications that an improvement in the market may be expected, but in the meantime the position is undoubtedly acute, and nothing can be done but wait in patience. Deputations have urged the Government to take some steps that will ease the situation for those who are not able to wait, but no practical suggestions have been made, except the revolutionary one made by a northern deputation that there should be a compulsory reduction of mortgages, a proposal which received short shrift at the hands of the Prime Minister when it was made to him, and has not since been heard of.

That the general financial condition of New Zealand is not worse is due to the two facts that the fall in the prices of its three great primary products has not been simultaneous, and that the output of butter is very much greater than in previous seasons, thus compensating to some extent—so far as the country as a whole is concerned—for the lower prices received. So we find that although our exports for the last year were roughly a million and a half under those for 1920 they were higher than in any year before 1919 and were double those for the last year before the war. This result was largely due to the very high prices paid last season for butter and cheese, the two commodities which saved the situation in face of the slump in wool and meat. This is strikingly shown by the fact that the exports, which are largely of dairy products, from the Auckland province exceeded those for 1920 by approximately two millions, the rest of the North Island showing a decrease of about a million and the South Island over

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two millions. Butter and cheese together accounted for more than nineteen millions, this being 43 per cent. of the total exports and more than double the corresponding total for 1920.

The position so far as wheat is concerned is satisfactory. Since 1911 there has never been any surplus for export, and on several occasions since that year the crop has been insufficient for home requirements which have necessitated importation from abroad. This year the yield will certainly be the greatest since 1911 and probably the greatest since 1899, and there will be a good surplus over local needs. In January it was thought that the amount available for export would be over three million bushels, but since then it has been found that crops in many parts of Canterbury—the chief wheat-growing district—are not yielding up to expectations and the estimate of the exportable surplus must be very much reduced. In all probability it will not now much exceed one million bushels.

Turning from the country to the urban population, the average family has less money to spend than it had a year ago, but we are still remarkably prosperous. The Christmas trade—a good barometer—was heavy, while racing and other pastimes are patronised very nearly as well as in the recent record years. The cost of living is dropping, but housing is still very scarce and dear, and is likely to remain so until wages are substantially reduced.

## II. THE NATIONAL DEBT

**I**N any comparison between New Zealand's present and pre-war balance of trade, regard must be had to the changed position of the National Debt. During the period 1914-1921 this increased from £99,730,427 to £206,324,319, and of the increase (£106,593,892) no less than £90,411,023, or 84·82 per cent., was borrowed in the Dominion itself, only £16,182,869, or 15·18 per cent.,

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being raised abroad. Thus, while in 1914 83·14 per cent. of the total debt was owing outside and 16·86 per cent. within New Zealand, the position is now completely reversed, and 51·97 per cent. is owing within the Dominion and only 48·93 per cent. abroad. The proportions are still more favourable to the Dominion so far as interest on the debt is concerned, for the older loans, which are mainly owing abroad, bear low rates of interest, while the higher rates are payable on the loans raised in New Zealand. During the period mentioned the average rate of interest payable on the National Debt has increased by 8s. 9d. per cent.—viz., from £3 16s. 5d. per cent. to £4 5s. 2d. per cent. The interest payable within the Dominion is probably not far short of 60 per cent. of the total.

### III. IN PARLIAMENT

THE hope cherished by members that Parliament would finish its work before Christmas was not realised, and the session did not conclude until February 11, just a month after its resumption. Even then it cannot be said that legislation received anything like proper consideration. The usual end-of-the-session scramble to get finished began before Christmas and continued even more vigorously after the short adjournment that was taken. Secure in its majority, the Government was relentless in pushing through its measures, and altogether eighty-nine public Acts were added to the Statute Book. The legislation of the session was of considerable domestic, but little external, interest, and it is unnecessary for the purposes of this general chronicle to do more than refer briefly to the two outstanding measures passed since Christmas—The Public Expenditure Adjustment Act, which embodied the Government scheme for retrenchment in the Civil Service, and the Act creating machinery for a compulsory pool of frozen meat for export.



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The cry for economy has been as insistent here as in England and for many months the Government has been protesting that it was rigorously cutting down waste and extravagance in the public departments. Little definite information, however, was forthcoming and the public has had to be content with general statements and the announcement that legislation would be introduced to retrench the salaries of the Civil Service. This was a matter requiring Parliamentary and not merely departmental action. During and after the war, salaries had been augmented by bonuses granted to meet the increased cost of living, the official statement showing that these bonuses amounted to the enormous sum of four and a half millions per annum. No one has suggested that we should go back to pre-war rates of payment, but the cost of living is receding fairly rapidly and the necessity for heavy reduction in the cost of the public services was very urgent. What the Government proposed as part of its economy campaign was to withdraw something over two millions per annum of the bonuses already mentioned by a series of "cuts" spread over a period of fifteen months. This scheme was embodied in the Public Expenditure Adjustment Bill, introduced after the Christmas vacation.

The imperative need for some reduction was generally acknowledged and the Opposition recognised the principle of the Bill by voting for its second reading, leaving amendments to the committee stage. It was here that a fierce struggle over details took place, the debate being no doubt influenced by the knowledge that a general election will be held at the end of this year. Criticism was directed in particular against the method of spreading the reduction, and the failure to fix a minimum salary which should remain untouched. It was on this last point that the closest divisions took place, the Government mustering a majority of four only on a proposal to fix a minimum of £250 and later, on a similar amendment to make it £210. Having weathered this storm it had no great difficulty, and although

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there were over thirty divisions in Committee the Bill passed into law with some slight modifications conceded by the Government.

The Act reduces the salaries of Members of Parliament and Ministers, but not those of the Governor-General or the Judges of the Supreme Court. It is worthy of note that the former offered to submit his salary to the pruning knife, but the offer was not accepted, while on the Judges enquiring from the Attorney-General whether he thought it would be proper for them to address a communication to him on the subject, they were informed that he thought it better they should not do so.

The measure has aroused much bitter feeling in the Service. Before and during its passage through the House meetings of protest were held throughout the Dominion, and there was a good deal of talk about "direct action" if the proposals were carried. Even if space permitted it would be unnecessary to examine here the merits of the case against the Act, which certainly bears marks of the haste already criticised. The important fact is that the hostility of the Service will undoubtedly affect the elections. It is estimated that the Act has directly touched some 36,000 people, while there are, of course, a great many others indirectly concerned, and the sense of grievance among this large body seems to be very strong.

So far as economy generally is concerned a statement was presented in the course of the debate showing that, as a result of departmental action, savings totalling £3,242,000 had been effected. This amount includes over half a million brought about by the dismissal of 2,700 state employees, and £240,000 in the Defence Department by the demobilisation of 809 officers and employees.

The other measure of outside interest is the Meat Export Control Act, which provides machinery for a compulsory pooling of frozen meat for export. The objects were explained by the Prime Minister to a meeting

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of producers in Wellington on January 10 last, at which he said that "the Government had come to the conclusion it was time to interfere with the object of assisting the meat industry. Prior to the war the producer who sent meat to London received about 80 per cent. of the price realised on the London market. To-day, or until a few days ago, he had received only 46 per cent. . . . The new organisation was intended to bring about an improvement by reducing the cost of production, the cost of shipping and improving the price obtained on the London market." He added that it did not matter what opposition there might be they were going on with the scheme. The producers generally approved of the pool, and a committee was set up to deal with the matter. The result was a Bill brought down near the end of the session which had a rapid passage through the House. Under this there is constituted a "New Zealand Meat Producers' Board" of five members elected by producers, two nominated by the Government, with power to nominate a third to represent the firms and companies financing the farmers and dealing with their produce. Under the control of the Board is a London agency to keep the Board advised and to see to the disposal and proper marketing of meat. In order to control the export and sale of meat the Governor-General may prohibit the export except in accordance with the determination of the Board, and very wide powers of control, either total or partial, are given to the latter body, which determines for itself how far it is necessary to assume control and whether the same shall be absolute or limited. It has full power to make arrangements and give directions for the grading, handling, pooling and storage of meat; for its shipment on such terms and in such quantities as it thinks fit, and generally for its handling, distribution and disposal. Provision is made for a levy, the proceeds of which are to be paid over to the Board, and for a Government guarantee of advances made by any bank or person to the owners of meat.

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Mr. Massey stated in the House on February 2 that "whether the exercise of these powers would be necessary remained to be seen. It was intended that the Board might assume absolute control if it found that necessary or only partial control. It was intended to interfere no more than was necessary with the individual efforts of the people who had been engaged in the meat trade. If, however, there was any movement on the part of those connected with the trade antagonistic to the interest of producers it would be for the Board to take action." The operation of contracts already existing when the Board assumes control will be protected until October 31 of this year.

Naturally the scheme has aroused criticism, particularly on the part of those who, upon principle, are opposed to state interference. There are business objections too, but the consideration of these is more appropriate to a trade journal than to these pages. In any case it will be some time before the full powers of the Act are put into operation, and the scheme will doubtless be subjected to further and less hurried consideration next session. In the meantime the Board will be set up and will have an opportunity of evolving a policy.

A slight relief for the taxpayer has been effected by the allowance of 10 per cent. rebate for prompt payment of land tax and 5 per cent. in the case of income tax. The former concession has been criticised—chiefly by the Labour Party—as being made in the interests of the rich and as an anomaly while customs duties are being raised and Government salaries cut down. Mr. Massey, however, has replied that, in the opinion of the Government, the country could not continue to carry the load of direct taxation, and that the concessions were a proper step towards reduction of the burden.

A political move of some importance was made in February when it was announced that the National Progressive and Moderate Labour Party \* and a number of Opposition

\* See ROUND TABLE, No. 45 (December, 1921), page 461.

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members, "recognising the necessity for greater co-ordination in the interests of good Government and in the furtherance of their common ideals," had decided to combine for the purpose of working more effectively in the House and at the next general election. The new party is to be known as "The United Progressive Liberal Labour Party," and will be led by Mr. Wilford, the leader of the Opposition. This coalition had been foreshadowed for some little time, but it was not effected until the last week of the session, too late to have any influence upon the proceedings of Parliament. It is likely, however, to be an important factor in consolidating the anti-government forces at the election to be held at the end of the year. The extreme Labour section under Mr. Holland takes no part in the amalgamation, and it is yet too soon to say definitely what the strength of the new coalition will be. The attitude of a number of members will probably not be made known until Parliament meets for its last session.

### IV. NAVAL POLICY

IT is not surprising that by tacit consent the question of naval policy and expenditure should have been almost entirely shelved in Parliament. More pressing domestic problems held the stage, and the fact that the Washington Conference was in session at the same time naturally rendered it inopportune to take any step until the future was clearer. The subject was briefly referred to on the Defence Estimates, when a member (Mr. Witty) moved a reduction of the naval vote as a protest against keeping the *Chatham* in our waters. The *Chatham*, it may be mentioned, is our one warship.

Mr. Massey's reply to the motion was neither very brilliant nor satisfying. He first made the point that if we did away with the *Chatham* we should still have to contribute to the British Navy, and that it was better to

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spend money in these waters. He then said—though the point of his observation is not plain—that the *New Zealand* and the *Australia* were both going to be scrapped, and that unfortunately the former had not yet been paid for. The liability would not be wholly extinguished for six years. At this stage an irrelevant and petty wrangle followed on the Fiji labour troubles, caused by the Premier's reference to the action of the Government in sending a Government vessel to Fiji with an armed force on board to protect the European inhabitants in case of a riot. The only pertinent statement made by anyone after this was by the Minister of Defence, who said that our present system met with the approval of the Home authorities. The motion was lost, the mover himself voting against it.

More interest in the subject has been shown by the Press and among the people. There have been frequent references in the papers, and these have apparently been read and appreciated. In the circumstances of the times it is only natural that opinion should be vague and more or less in a state of suspense, but some ideas have generally established themselves among the people. In the first place we have been deeply impressed by the war's lesson of the rapid obsolescence of war vessels, and we have come to realise the importance of skill and rapidity of construction and the difficulty of securing these except where there has been long experience and building upon a large scale. Then, too, the reduction of our naval unit to a mere mockery of the Jellicoe scheme and the knowledge that, in view of the Washington agreements, it is unlikely to be increased—it cannot be reduced without annihilation—have led us to the belief that the profound modifications of policy which these agreements must bring about afford an opportunity of reconsidering both the quantum of our contribution and the most effective form which it can take. To that end a conference between Great Britain and the Dominions is essential. This view is shared alike by those who have always been opposed to a local unit and by those

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who have supported Mr. Massey. Thus the *Auckland Star* (Opposition) after pointing out that the whole naval situation has been completely changed by the work of the Disarmament Conference and that, while naval warfare cannot be definitely abolished, the probability of conflict in the Pacific is reduced to very small dimensions, continues thus :

All these facts taken in conjunction have a very direct bearing on the great questions of our naval policy. We may take it for granted that Britain as an insular Power, the centre of a wide-spread Empire, possessing a mercantile marine and a sea-borne trade of incalculable value to her, must always maintain a strong navy in her own interests. But this fact does not in any way absolve us from our responsibilities ; and to the necessary measure of sea defence we, in common with all parts of the Empire, should contribute our just quota of the cost. The first step is a decision as to what the changed conditions entail. An Empire consultation is a first essential to a right decision on the subject of Imperial defence, and when it is held we hope to see the valiant attempt of Australia to develop her own navy acknowledged an error, and our own puerile effort to follow her example pass into a limbo of "Reform's" blunders. The Empire must be strong for defence at sea, and to ensure this we in this country must be prepared to contribute in a more generous and self-sacrificing spirit than was the case in pre-war years. The disposition of the fleet is a question to be decided according to the exigencies of the times, and we can safely leave this matter in the hands of the Imperial authorities. A disjointed control, such as small units represent, can only, as the Australian Admiral pointed out, result in inefficiency in training and a sacrifice of potential power.

On the other hand we have this passage quite recently in a Government paper, the *New Zealand Herald* :

The *Chatham* was taken over as a unit of the New Zealand Division of the Royal Navy envisaged by Lord Jellicoe's report. The intention was that the Division should gradually be built up to three light cruisers with destroyers and submarines. It is now a matter of doubt whether that programme is necessary or practicable, but the Washington Conference has at least cleared the way for a decision. As soon as possible the New Zealand Government should ascertain from the Admiralty what is to be the strategic distribution of the British Navy, what forces are to be maintained in

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the Pacific, whether the efficiency of the navy will best be advanced by maintaining vessels on the New Zealand coast, by contributing to the cost of the Pacific fleet, if there is to be one, or by an unconditional monetary contribution. At the same time the Government should decide what is a fair rate of naval expenditure for New Zealand in the light of the Washington decisions. There is no longer excuse for delay. The subject has been referred to the various Parliaments and New Zealand, by virtue of her geographical position and her traditional sea sense, should be one of the first Dominions to make her contribution fairly comparable on the basis of population, trade and naval needs, with that of the United Kingdom.

Interest in naval matters has been stimulated a little by the visit in January of Admiral Dumaresq in the Australian ship *Melbourne*. In his first speech after his arrival he disclaimed—quite naturally—any mandate to speak for Australia, and was careful to base what he had to say upon a recognition of the present arrangement under which Australia and New Zealand each maintain a separate unit. But he emphasised most strongly the necessity for the Dominions to have behind them a certain minimum measure of force and the extreme importance of close co-operation.

It is for the people of every country to think it out and see what that minimum is to be, and not go beyond or below it [continued the admiral]. They are quite competent to settle that matter if they will take the opinion of their technical advisers and cross-examine them on their figures regarding proposed expenditure. After the statesmen have done that, there is nothing for the people to do but support their statesmen. The navy [he said] is an insurance. It is not necessary to tell the people of New Zealand this. They know and have acted upon it. It is not an insurance in the same sense as insurance against fire or burglary, which can be started one year and stopped the next. It has to be kept going and cannot be stopped, for instance, when you are hard up, and then expected to go on again [said the admiral]. If you fall below that minimum you will fail with the whole thing. Ascertain what your minimum has to be, and keep it up to that in good times or bad. I would like to say, as my own opinion, that it is a matter of the greatest importance for the sister units of the Empire fleets—the two units of Australia and New Zealand—to co-operate and get together as much as they can, because one ship by herself is not of any great use in the bigger



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sense, any more than, you know, one battalion is of any great use when you come to forming a brigade. When you get something more potent, it is no good expecting a battalion from an isolated outpost to come up and form a brigade. It is exactly the same when forming a squadron. The ships must have a certain time together to form a squadron.

### V. IMPERIAL AFFAIRS

IT was rather unkindly said by the *Christchurch Press* recently that "in the New Zealand Parliament so little attention is given to Imperial questions that one could almost read Hansard continuously without discovering that the Empire exists, or that there has been any development in Imperial thought and relations for thirty years." There is an element of exaggeration in this, but it is substantially true. Members generally take the smallest possible interest in Imperial affairs and policy, while Ministers prefer to maintain a discreet silence instead of encouraging and guiding discussion. It is seldom that an opportunity is taken to make a statement in the House upon external affairs, and any information given is usually dragged out by a question from a private member. For this state of affairs the Prime Minister is somewhat to blame. He has a strong inclination towards secrecy, one may almost say mystery, in Imperial affairs, and is not disposed to encourage Parliament to express an opinion upon Imperial policy.

The absence of official news as to the proceedings of the Washington Conference was mentioned in the last number of *THE ROUND TABLE*\* and is one illustration of the tendency here noted. In the same way nothing, except what has appeared in the Press, has reached the public concerning the work of the League of Nations. Yet there must have been numerous official communications which might with great advantage have been given to the public.

\* *ROUND TABLE*, No. 46 (March, 1922), p. 460.

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Speaking at Cannes in January, Mr. Lloyd George is reported to have said that he always sent to his colleagues long summaries of what had been happening at the Conference of the Supreme Council, and he also sent similar messages to the Prime Ministers of the Dominions. Apparently such messages are merely read by Mr. Massey and pigeon-holed. Certainly none of them have been divulged, although they must have contained some information which could well have formed the subject of a statement in Parliament. Not that the course of events could thereby have been influenced, but that everything tending to the education of the people and their representatives should be encouraged.

The important question, whether New Zealand desired to be represented at the Genoa Conference, was never even mentioned in Parliament, while, as crowning proof of the indifference to outside affairs, although the Washington Conference concluded its work before Parliament rose, not the slightest notice was taken of the results achieved by that historic gathering and their vital importance to this country.

On two occasions only after Mr. Massey's statement on his return from the Prime Minister's Conference were Imperial relations mentioned, and on each the matter was raised with reference to the Pact with France. During the negotiations the Labour leader, Mr. Holland, referred to a cablegram to the effect that the British Government would be unable to complete the Pact without consulting the Dominions, and asked whether any communication on the subject had been received, and whether the Prime Minister would undertake to place his proposals before Parliament for ratification before making an agreement on behalf of New Zealand.

The Prime Minister replied that he did not think it was intended that the Dominions should sign anything in the nature of a treaty. He had received a communication from Mr. Lloyd George, but he did not know precisely

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what form the agreement was going to take, and he could not make any definite statement to the House.

It had been stated, added the Prime Minister, that the Dominions might or might not subscribe to the agreement, according to their individual wishes. He regarded that suggestion as loose and dangerous. He was strongly of opinion that when the opportunity offered—and that might not be for a year or two—something should be done to guard against divided counsels within the Empire. If the Empire was to stand it must be united. At a later date, a private member (Mr. Malcolm) on the Government side referred to the same matter, basing his remarks upon the definite provision in the Pact that it should not be binding upon the Dominions without their consent. He saw danger, he said, in the possibility that the Empire, which should be one and indivisible, might be divided on such a question, and one Dominion be found voting one way and another another way. He hoped the Prime Minister would see that New Zealand was represented as unfavourable to the proposal that it should have power to contract itself out of an arrangement made by the British Government on a matter of foreign policy.

The Prime Minister replied that he had had no notice of the member's intention to mention the matter and that it was worthy of more attention than he could give it at the moment. His own mind, however, was pretty well made up. He was very strongly opposed to anything in the way of divided counsels within the Empire when arrangements with foreign nations were being made. He had thought from the commencement that that was one of the dangers of the League of Nations. He felt it was so important that the Empire should speak with one voice and with no uncertain sound, and that there should be no possibility of different parts voting different ways. If given the opportunity he might, as representing New Zealand, let the Prime Minister of Great Britain know how he felt on such a matter. It may be remarked in passing

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that there seems to be no reason why Mr. Massey should have to wait for an opportunity to express his views to the Home Government upon a matter of such vital importance. The silence of Parliament has not been imitated by the Press, nor its indifference shared by the general public.

Notwithstanding our preoccupation with domestic difficulties, we have found time to rejoice in the Irish settlement—which at the moment of writing has received such a serious set-back—and in the achievements of the Disarmament Conference. Seldom have external affairs bulked larger in the newspapers, big and little, which have kept themselves remarkably well-informed on both these subjects, especially on the broader aspects of the Conference such as the fixing of the naval ratio, the use of submarines, and fortification in the Pacific. These are the questions that touch us most nearly, and the agreements reached meet with universal satisfaction. That they will be endorsed by our Parliament admits of no doubt.

As to Ireland, New Zealanders as a whole have probably never realised the extraordinary difficulty of bringing about a settlement, but the conflict has been a real trouble to us, and the settlement was everywhere hailed with joy. The sudden check, caused by the difference over the boundaries question, has come as a shock and a profound disappointment. Upon one point the average citizen is inclined to be critical. He looks with deep suspicion upon the alteration of the ordinary oath of allegiance and thinks that, there, concession went too far.

New Zealand. March, 1922.

# AUSTRALIA

## I. THE INDUSTRIAL CONFERENCE

THE most pressing problem in Australian industry is still that of adjusting wages to falling prices. The level of wages is in the main determined by awards of minimum rates given by Arbitration Courts and similar public agencies, whose common though not invariable practice has been to take as their basis the figure of 7s. a day laid down by Mr. Justice Higgins in the Harvester Case, 1907, and to vary it according to the variation in the purchasing power of money as ascertained by the Commonwealth Statistician. The question of what was to happen when an industry was unable to pay the determined wage and continue to compete with its foreign rivals was answered by the acceptance of the "fundamental principle" first enunciated by Mr. Justice Higgins, that such an industry should not exist. This question was not of great practical importance during the war period and for two years afterwards, because wages, although raised at frequent intervals, failed to keep pace with rapidly rising prices. August, 1920, however, saw the highwater mark of wholesale prices reached, and since then the tide has been slowly but surely retreating. The problem, then, of the future of industry became all important because wages showed little tendency to fall, whilst countries which were able to adjust their industries to an era of falling prices more quickly than Australia has done, threatened by their competition to make it impossible for certain Australian industries to continue to exist. This was notably the case with the

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metal industries. Copper and lead are both in price about the pre-war level. The steel industry established by the Broken Hill Proprietary Company at Newcastle, in 1915, was reported at the end of last year to be threatened with extinction, because of the low price at which steel rails, etc., could now be landed here, while the quarrying of ore at Iron Knob, which supplies the steel works with raw materials, was suspended by the same company in February of this year, because enough ore was on hand to complete current orders for steel. In other industries, too, high costs of production, falling prices and unemployment present a problem growing more acute every day. Production, and therefore employment, can only be maintained by bringing the goods produced within the purchasing power of larger numbers and smaller incomes.

This state of affairs has emphasised the opposed points of view of the employers and of the workers. The employers' reading of the situation is that since the cost of production cannot be covered by present prices it must be reduced, and this means more especially reduction in wages. Other remedies are suggested, such as a further increase in the tariff, more stringent anti-dumping legislation, and Government subsidies, but reduction of wages is the chief. No accurate figures of costs of production have been, or are likely to be, disclosed in the controversy, but in some industries, *e.g.*, coal, it is alleged that three-fifths of the cost is labour cost. Some of the firms who have recently announced the temporary suspension of their industrial operations express the view that they are unable to continue unless a reduction of from 20 to 25 per cent. in wages is made. Just as, in an era of rising prices, employees constantly demanded that wages should be adjusted to meet increases in the cost of living, so now employers demand a reduction in wages corresponding with the fall in prices.

In some quarters the demand has gone further. Mr. Barwell, Premier of South Australia, has used language

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which appeared to mean, despite his later contradiction, that Courts of Industrial Arbitration, State and Federal, were hindrances to necessary economic adjustments and should be abolished. Whatever opinion may be held on this subject, no such proposal has been made by the employers as a body and no one would seriously venture to propose the abolition of the other method of wage-regulation—viz., wages-boards.

The Federal Arbitration Court has in several recent instances made reductions in wages to correspond with changes in the purchasing power of money. Also there have been a good many "automatic" reductions in cases where agreements have been made in the past between employers and workers for "sliding-scales" of wages to be adjusted from time to time in accordance with the cost of living. It may be noticed here also that in two other important instances recently wage-fixing authorities have reduced the minimum wage because of the reduction in the cost of living. In October last, the New South Wales Board of Trade declared the basic wage for the ensuing six months to be £4 2s. per week, a reduction of 3s., which caused a great outcry in Labour circles. The chief objection was that the Board had made a departure from its previous practice, and had considered prices over a more recent period than before. It was contended by the Labour Government in New South Wales, and not denied by the Board, that if the usual practice had been followed the basic wage would have remained unchanged. The Government refused to gazette the new rate and referred the matter back to the Board for review, but the Board in the exercise of its discretion refused reconsideration. In his policy speech, in opening his election campaign in February, Mr. Dooley, Premier of New South Wales, announced that his Government, if successful at the polls, intended to introduce legislation to maintain the basic wage at £4 5s. for the whole of the present year. This would remove the determination of what is a living wage

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from an independent body to the Government in power for the time being. In Queensland, too, the Arbitration Court at the beginning of February reduced the basic wage in that State from £4 5s. to £4 a week as from March 1.

To the worker "adjustment of wages to prices" has a sinister sound because he believes that in times of depression the first cost of production to be lowered is wages. Reduction of wages means to him, for the time at least, a reduction of his standard of life. Rather than accept this he is ready to face the alternative of unemployment and even the abandonment of an industry. The Australian workers on the whole stand firm in their determination to oppose any policy of reduction of wages. They claim that a reduction is unnecessary, because the cost of production can be lowered by reducing overhead charges and profits as, for example, by the payment of dividends only upon unwatered stock. Also they claim that it is inequitable, because wages followed rising prices but slowly and have not yet overtaken them, or at any rate have not been high long enough to make the position of the worker on the whole even as good as it was in 1914. Lastly, they put down the demand for reduction to a world-wide conspiracy on the part of employers to debase the condition of the workers. So far from acquiescing in a policy of reduction, some sections of workers have reiterated demands for what are in effect increases in wages. For example, the Council of the Coal-Miners' Federation in January of this year announced that it intended to make every effort to carry into effect the miners' claims, adopted two years ago, for, *inter alia*, a six-hour day and a five-day week. There are two recent cases, one unsuccessful, the other successful, where industries which had closed down have attempted to start again after considerable wage-reductions were accepted by the workers. At the beginning of February a section of the miners and smelters at Wallaroo and Moonta, in spite of the opposition of the Australian Workers' Union, agreed upon a reduction of 18 per cent. in wages. The company



## The Industrial Conference

attempted to resume on these terms, but as less than half the men required signed on, operations were once more suspended. In the same month the miners at Mount Morgan accepted a 20 per cent. reduction in wages, and work was resumed. The resumption was, however, only made possible by a subsidy from the Queensland Government to the company in the form of a rebate of £1,100 a week on railway freights. The attacks upon arbitration and wage-fixing have had the effect of rallying the forces of Labour in its support. They trust to it at present as the sheet-anchor of a system of stabilised wages which at least, whatever may be the changes in industry, ensures to an employed man a living wage. As a remedy for any resulting unemployment, they rely upon Government provision.

On January 25 Mr. Hughes, Prime Minister of Australia, inspired by the success of the conference idea as illustrated by Washington and London, announced that in view of existing and threatened industrial troubles he would call together representatives of employers and workers to a round table conference in February, to discuss questions of wages and the cost of production. He was careful at first to express no opinion as to a possible solution, though later he foreshadowed the introduction, if both parties were agreed, of a superior brand of Whitley Councils operating under the Industrial Peace Act of 1920. His view of the industrial situation then and later, was that the cost of production of goods was in excess of their value, since prices generally were falling, and the cost of production, therefore, had to be reduced. Though he did not commit himself to the view that wages necessarily must be reduced, yet he reminded the workers that high wages could only be paid if the goods produced could be sold. This was, not unnaturally, interpreted in most Labour circles to mean that wages were to be reduced, and he was severely attacked as the active agent of the employers in a wage-smashing campaign, especially as the employers on the whole were not unfavourable to the idea of a conference. On this

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ground many Labour organisations definitely refused to have anything to do with the conference. In three States, Victoria, South Australia and Queensland, the trade unions refused the invitation to attend, while in the other three they accepted. The reason of the difference seems to be that while they were all unanimously against a reduction of wages, the former believed, or professed to believe, that this was the sole purpose of the Conference, but the latter could see no harm in a discussion of other methods than reduction of wages. It is notable that, in New South Wales, the invitation was accepted by the Trades and Labour Council now applying for affiliation with the Moscow International, but not by the Australian Workers' Union.\*

Mr. Hughes had several times asserted that the Conference would only be successful if both parties "put all their cards on the table." This phrase was seized upon by the section of Labour which accepted the invitation and the interpretation in some cases was very broad. The Western Australian branch of the Australian Labour Party, for example, in announcing its reasons for attending the Conference, declared that they would insist that the employers' representatives should table documents showing:—

- (1) Income tax returns of employers.
- (2) A list of enterprises recapitalised on a watered basis since 1914.
- (3) A table showing the nominal capital on which dividends are payable compared with the actual capital subscription.
- (4) What increases in ground rents have businesses to pay against 1914?
- (5) What increased charges do banks levy on industry?

The Conference met in Sydney on February 22. Originally it had been intended to consist of 24 members chosen

\* The Trades and Labour Council definitely supports the "One Big Union" idea against the more conservative A.W.U. The relations of these two sections of the Labour movement were discussed in the last number of *THE ROUND TABLE*, under the head of "The Brisbane Conference."—*THE ROUND TABLE*, No. 46 (March, 1922), p. 499.

## The Industrial Conference

equally from both sides, but by the opening day the numbers had swelled to 38. Mr. Hughes took the chair and opened the proceedings with a speech which recapitulated the reasons which had impelled him to call it.

The next session was occupied with a discussion as to who should be chairman, although it was unanimously agreed that he should have neither vote nor casting vote. Several names were submitted by each side, and in every case objected to by the other. Finally, the employees gave way and accepted as chairman, Mr. Hughes, the first nominee of the employers. The next three sessions were occupied with a formal debate first on the "general economic situation," and then on the "position of industry in Australia." Most of the present economic ills were ascribed by the Labour representatives to lack of purchasing power, and by the employers' representatives to decreased production. The debate disclosed little agreement either as to the facts of the industrial situation or as to the causes. The employers asserted that it was obvious from the amount of unemployment, from low prices and high cost of production that a crisis was at hand. The Labour representatives required more and detailed evidence, which was not forthcoming, as to costs of production and the inability of employers to carry on industry. The Conference then adjourned for a day in order to allow concrete proposals to be prepared and put forward by both sides.

Before the proposals were put forward a discussion took place, because the Labour delegates insisted that the employers should accept the principle that all unemployment should be provided for by an adequate insurance to be borne by industry. The employers refused to bind themselves beforehand in this way, but finally it was agreed that in any proposals put forward and discussed, the position of the unemployed should not be overlooked. The employers prefaced their proposals with the statement that they were only suggestions for which they had no mandate from the people whom they represented, but which, if

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acceptable to the workers' representatives, they would recommend employers to adopt. They accepted the principle of a minimum wage based upon such a standard of comfort as was necessary to the welfare of the Australian community. Their suggestions fall under two main heads, first, proposals for the conduct of industry, next, machinery for the settling of disputes and for laying down the conditions of industry. Under the first head they advocated abolition of all limitation of output ; no reduction of hours beyond 48 a week, except in a few industries ; piece-work where possible ; profit-sharing where feasible ; and, for industries where unemployment existed, special conferences between workers and employers to enable them to resume operations on a sound economic basis while maintaining the standard of living. Under the second head they proposed to substitute for the present arbitration system one Court composed of Federal and State judges to deal with hours and minimum wages and to systematise awards for the whole of the Commonwealth. Other industrial matters were to be decided by State tribunals, except where the industries were Federal in character. These State tribunals, however, were not to be the present industrial machinery of Arbitration Courts and Wages Boards, but Boards for each industry consisting of equal numbers of employers and employees. The Labour representatives criticised these proposals seriatim, strong objection being taken to the 48-hour week. They affirmed that any attempt to lengthen hours beyond 44 was a retrograde movement, and wholly unacceptable. Again, while admitting dissatisfaction with the arbitration system as it exists, they opposed its abolition until more satisfactory machinery should be installed and working. To that end they outlined as an alternative an elaborate scheme of Commonwealth, State, local, and special joint industrial councils, with power to deal with all problems and relations between employer, employee and consumer in industry. Their own proposals they introduced with a declaration of their belief that the present capitalistic

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system was incapable of meeting the situation, and that the only solution for "the impending collapse of industry" was the socialisation of industry with workers' control. Their practical proposals were that a joint commission should be established, consisting of representatives of Federal and State Governments, employers and trade unions, to devise technical means for carrying on industry during the period of crisis. This commission was to draft concrete proposals for a national credit system; methods of maintaining production and distribution at a high level; elimination of non-essential costs of distribution; amalgamation of industrial concerns where possible; and comprehensive developmental schemes to absorb the unemployed. They demanded, too, that the commission in its work should agree in principle on "basic claims" of the workers for:—

- (1) No reduction in wages or lengthening of hours.
- (2) Adequate unemployment insurance as a charge upon industry.
- (3) An effective share by the workers in the control of industry.

These proposals the employers absolutely refused to discuss on the ground that the "socialisation of industry with workers' control" meant Bolshevism. Their spokesman laid great emphasis upon conditions in Russia as an example of what would happen if these proposals were entertained. It was urged by the Labour representatives in debate that the obnoxious clause was merely the affirmation of a belief that this was the only permanent remedy, that it was an ideal, not an immediately practicable policy, and that it was accompanied by definite concrete proposals for working under the existing system. The employers apparently considered this explanation disingenuous, for they treated the proposal as one aimed at turning the present system into economic chaos, and the Conference came to an end without any agreement being reached.

The Conference served as an occasion for the parties concerned to affirm irreconcilable principles of social,

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political and economic faith. In this regard, some observations of Lord Salisbury, on the proposal for the Berlin Congress of 1878, appear apt.

Our view as to the Congress is that, though it is an admirable instrument to enable friendly Powers to come to an agreement about details, it only aggravates the divergence between those who radically differ, because it accentuates and calls public attention to the amount of difference, and makes the retreat on either side a loss of honour.\*

None the less, the employers made a distinct error in tactics which, under different leadership, might have been avoided. They did not exhaust the possibilities of the situation. The workers had discussed the practical proposals of the employers, but the employers acted as if the workers had put forward no immediately practical proposals. Quite possibly discussion might have resulted in no agreement, but to refrain from it on the ground that the workers were "Bolsheviks" merely gave opportunity to the workers for effective propaganda, of which they have not been slow to avail themselves.

## II. THE NEW SOUTH WALES ELECTIONS

AT the general elections for the State of New South Wales, held early in 1920, the Labour party secured 45 seats in a House of 90 members. The Nationalist Ministry then resigned, its leader having been defeated at the polls, and a Labour Ministry was formed with the late Mr. John Storey as Premier. That Ministry is now appealing to the electors after having held office for two-thirds of the normal life of a parliament. Its existence was rendered possible in the first place by the consent of a Nationalist member, who had been Speaker in the last Parliament, to accept re-election and so give the Govern-

\* *Life of Lord Salisbury*, by Lady Gwendolin Cecil, vol. ii. p. 240.

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ment a majority of one. His action has naturally been severely criticised, for the tradition that the Speakership is independent of party is not established in Australia, and is not likely to be recognised when votes are so evenly divided. But he has found a satisfactory defence in the heterogeneous character of the Opposition. Its forty-five members included 28 Nationalists, 15 Progressives and 2 Independents: they were all in sympathy opposed to the measures of the Government and to its methods of administration, but they were divided on personal grounds and by the antagonism of rural to urban interests, to which reference was made in the last number of **THE ROUND TABLE**.

Owing to these divisions and the strength of its own discipline the Labour Party remained in office in spite of the loss of its Premier and of much dissension within its own ranks. But in December, 1921, the members of the Opposition agreed that a crisis had arrived which made it necessary for them to sink their own differences and to face a dissolution. The Speaker thereupon resigned, and the Ministry being unable to carry on business except by appointing a Speaker from among its own supporters, lost its majority and followed his example. The Opposition leader, Sir George Fuller, was then sent for, and having formed a Government with the assistance of some members of the Progressive party, himself asked for a dissolution, which was refused. Mr. Dooley, who had asked for a dissolution before his resignation, was then recalled, subject to a stipulation that as soon as the estimates had been passed and other urgent business transacted, Parliament would be dissolved. The elections are to be held on March 25, although a number of members of the Labour Party made vigorous efforts to postpone them.

In order to explain the nature of the issues, it is necessary to examine very briefly the record of the last Parliament. Shortly after taking office, the Premier, Mr. Storey, announced that he had only half a mandate, which was under-

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stood to mean that as the House was evenly divided he would avoid extreme party measures. But such a course was impossible owing to the manner in which the Labour Party is controlled, and to the expectations excited by Mr. Storey's election promises. The party executive aims at exercising control over Ministers and members, it is not composed of men experienced in administration or finance, and it was not disposed to lose any of the advantages of a term of office. Mr. Storey himself was inclined to assert his authority, but many of his colleagues were less moderate or more flexible, and the measures ultimately put forward differed only from the full Labour programme in that certain of the more attractive items were reserved for the inevitable general elections. Towards the end of the last session, bills were introduced for the purpose of fixing at £4 5s. per week the basic wage which the Board of Trade had reduced to £4 2s., and for extending the 44-hour week to a number of Government employees to whom it had been denied by a special Court appointed to consider the conditions of various industries. But the chief factor in drawing the elements of the Opposition together was the Budget. In his first Budget, the Treasurer had proposed an addition to the income tax of 3d. in the £ in order to raise an additional £2,000,000. In his second Budget he proposed a further addition to raise a further two millions, and he made no suggestion as to how to raise the further sum, estimated at over a million, required for the proposed endowment of motherhood. For a great part of the expenditure the Government was not responsible. It was attributable to increases in the basic wage decreed by the Board of Trade, which applied to all Government services, and was felt with especial severity in the railway service and in the education department. But almost half the increased expenditure was attributable to the 44-hour week which, though it had been decreed by a Court, was an item in the Government programme. And although taxation had been raised to a figure which, taken in conjunction



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with the Federal land and income tax and customs duties, was abnormally high, there were no signs of an intention to economise or to put the finances in order. Another contributory factor in uniting the Opposition was the action of the State Government in assenting to a large number of nominations to the Upper House. The number was not large enough to give the Government a majority in the nominee chamber, and since the appointments had been made, two bills passed in the House of Assembly had been rejected, one a bill to alter the franchise of the City of Sydney on the eve of the triennial election of aldermen, and the other a bill to provide for government control of wheat marketing. But the numbers of the Upper House had been increased beyond the limits fixed by an unwritten rule in relation to the numbers of the Legislative Assembly, and it was feared that the Governor either under instructions from the Colonial Office, or of his own volition, would yield to whatever demands were made upon him for additional appointments.

The result was that the two Opposition parties came together, and responsibility for the continuance of the Ministry in office was placed upon the Speaker, upon whose resignation it was defeated by one vote. Co-operation for the purposes of defeating the Government, however, did not bind the Opposition to go to the country as one party. The Progressives were almost equally divided. Some joined the Nationalists in a coalition, accepting the very liberal terms offered by Sir George Fuller, the remainder, holding that a country party must remain a separate entity, published a programme of their own, though they promised a general support to the Opposition. Candidates therefore fell into three groups—Nationalists together with those Progressives who favoured a coalition, Progressives, and Labour candidates, in addition to whom a few Independents were nominated. The programme of the Government and the methods of its leader had been accurately foreshadowed during the last session of Parliament. Mr.

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Dooley, the Premier, when elected had been described as a moderate in contrast to his rival Mr. McGirr, who claimed to be the representative of the industrialists. But in his election speeches he appropriated very nearly the whole of the industrialist programme so far as it could be carried out by legislation. The basic wage of £4 5s. a week was to be enforced by an Act which would substitute Parliament for the Board of Trade as the wage-fixing authority, leaving only the higher rates to be fixed by Arbitration Courts. The 44-hour week was to be extended to new branches of industry, Parliament again acting in place of the statutory Court. The new Parliament was to be asked immediately to enact a Motherhood Endowment Bill, whereby each family of more than two children, the father of which earned less than £6 1s. per week, was to receive a subsidy in respect of each additional child. Taxes were to be increased to meet the deficit, but only at the expense of the higher incomes. In addition to these pecuniary benefits the privilege was offered to the employees in certain branches of the public service (including the railways) of having elected representatives on departmental boards of commissioners, and the Government pledged itself to assist workmen in acquiring and managing industries themselves. These offers were reinforced by a warning against the consequences of returning the Opposition to power. The Nationalists were described as the allies of the employers and the employers were charged with having entered into a conspiracy to reduce wages and with them the standard of living. Both sides were bound to refer to the widespread unemployment from which New South Wales is suffering, in common with England and America. The Nationalist comment was that if not caused, it had been increased by the arbitrary fixation of wages, and by uneasiness aroused by fear of Labour legislation. Mr. Dooley, however, and his most prominent colleague did not scruple to suggest that it had been brought about to some extent at least by the allies of the Nationalists as an electioneering dodge. There were other items in the

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Government programme on which individual Ministers laid special emphasis, and they concurred in claiming credit for having reduced profits by a price-fixing Court. The Minister for Lands laid stress on a bill designed to break up large estates by compelling owners of land worth more than £20,000, either to sell their surplus lands through the Government or to put them to a more productive use or to pay a penal rate of taxation. Others justly claimed credit for increased salaries paid to teachers in elementary schools and for other improvements in the elementary schools, a branch of education in which Labour has consistently shown greater sympathy than its opponents. But the chief plank in the Government platform was the maintenance by legislation of a high rate of wages, and the weapon most frequently used was a description of the Nationalists as the low wage party. And in order to make that programme effective, Mr. Dooley undertook to carry out what had for long been a plank in the Labour platform, the abolition of the nominee Upper House.

The answer to this policy of largesse was to show that the dangers of unemployment, under-production and higher taxation could only be averted by indirect means. The first part of Sir George Fuller's policy speech was taken up with a list of improvements to be made in the lot of primary producers. In 1921, a Commission under the Presidency of Sir Joseph Carruthers, a former Premier and Minister for Lands, had been appointed to investigate the grievances of the man on the land, the causes of a decline in rural production and of the exodus from the country to the cities. Its enquiry was eminently practical, and it recommended a number of reforms designed to render farming more scientific and more attractive, to remove the discomforts of isolation, to improve the conditions of life both among scattered settlers and in country towns, and to provide better methods of marketing. Sir George Fuller adopted these recommendations as part of his programme and undertook to carry them out if returned to power. In addition,

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he promised that the primary producer should no longer be penalised in order to make good the loss on non-paying railways by high freights and fares for the benefit of the consolidated revenue. His appeal was addressed to the country constituencies and mainly showed the influence of the Progressives among his followers. He also promised radical amendments of the already much amended Arbitration Act by which the method of a round table conference in each industry would be substituted for the processes of litigation as carried out by the Arbitration Courts or by the Board of Trade in fixing a basic wage. Sir George Fuller repudiated the charge that his was a low wage party and promised that wages would not be reduced in the Government service. He admitted that taxes must be increased, but warned his hearers against believing that the few could be made to suffer while the many escaped. In answer to the Labour Party's proposal to abolish the Upper House, he proposed to abolish life tenure, and to introduce a system of election, the details of which were not disclosed, and in answer to the Motherhood Endowment Bill, he proposed a scheme of relief for necessitous cases.

The elections are to be held on March 25 and it would be foolish to predict the result. The result however will be of great importance, for the finances of the State are in need of careful management, and the Labour Party proposes to legislate on a number of subjects which have hitherto been left to the Courts to be dealt with after an examination of the evidence.

### *Postscriptum.*

The election has resulted in a defeat for the Labour Government more decisive than was generally anticipated on either side. In the new Parliament out of 90 members 37 will belong to the Labour Party, compared with 45 in the last Parliament, 9 will support the Progressives who refused to join in the coalition ; there will be 43 supporters of the coalition and 3 independents, so that the Govern-

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ment about to be formed will have the general support of 52 members. The elections were remarkable for the fact that of the total number of electors enrolled, over 70 per cent. went to the poll as compared with 52 per cent. at the State elections of 1920. On a count of the first preferences it has been shown that the Opposition vote increased by 177,000, or nearly 60 per cent., the Government vote by 50,000, or nearly 27 per cent. on the 1920 totals. A 70 per cent. poll is unusually high in an Australian election, and the explanation of so much popular interest may be found to some extent at least in the introduction of a number of new factors in the later stage of the campaign. One of these was the sectarian issue, which in some constituencies was discussed with great bitterness, and may have induced many electors to vote who would have been indifferent to purely political arguments. Another factor was the belief rather vaguely held in some quarters that the Labour leaders, though they would not themselves sympathise with the revolutionary movement on the Rand would not have the courage to dissociate themselves from a small minority who professed similar views in this country. Again, a number of electors who in 1920 refused to vote for the Nationalist Party because they distrusted its leaders, this year were encouraged to do so because of its alliance with a section of the Progressives. But the fundamental cause of the defeat of the Labour Party was the failure of its leaders to inspire confidence, either by their achievements in office or by their election programme, in their ability to deal with the urgent financial needs of the country. Their proposal to fix an arbitrary wage by Parliamentary enactment did not impress the unattached voters except by causing fears of increased unemployment, nor did their warning of a conspiracy to reduce wages hatched by employers in alliance with the Nationalists. Finally, the Labour leaders showed a very marked failure to appreciate the character of the electorate. The electors are always ready to resent injustices and to relieve hardship ; but their instincts are on

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the side of safety, they cannot be stampeded and they are deeply suspicious of all that appears to be purely political manœuvres.

There is no space available to deal in this article with the effect of proportional representation in this and the previous election ; but this omission may be remedied later.

Australia, April, 1922.

# THE ROUND TABLE

A QUARTERLY REVIEW OF THE  
POLITICS OF THE BRITISH COMMONWEALTH

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## AMERICA AND THE INTERNATIONAL PROBLEM

EVERY day it is becoming clearer that neither the European nor the world problem can be solved without some form of American co-operation. The reparations question, which lies at the heart of the European complex, is inseparably bound up with the question of inter-Allied indebtedness, in which the United States is vitally concerned, like the rest of us. The United States is also equally interested in the solution of the Russian question, whatever it may be. And in the growing scandal of the Near East the United States is the one great Power left with a sufficiently disinterested position to call effectively upon the nations concerned to make a fresh start.

Yet, so far as surface indications go, the United States to-day is more set upon its policy of isolation than ever before. President Harding, during the 1920 Election campaign, declared himself vaguely as being in favour of an Association of Nations in place of the League of Nations. But the Washington Conference, which successfully dealt with certain aspects of the problems of naval disarmament and the Pacific, seems to have exhausted the zeal of the present Republican Administration for association with other Powers. There has been no discussion of the basis of an Association of Nations, and to every request of the European Powers that the United States should take part in joint deliberations about Russia, reparations, inter-Allied debts, or economic reconstruction, the Washington Adminis-

## America and the International Problem

tration has returned a courteous but firmly negative reply. It was only on second thoughts and with evident reluctance that it agreed to share in the very limited inquiry into the Kemalistic atrocities in Asia Minor.

None the less, though surface signs are unpropitious, there are strong indications of an impending change. Wilsonism and the League of Nations are undoubtedly growing again in popular favour. There is a strong body of opinion, especially among the churches, which feels deeply about the continued refusal of the United States to take any part in trying to clean up the aftermath of the war. There is also a growing sense among the larger business men that the future prosperity of the country is bound up with the prosperity of the outside world to a far greater extent than before the war, and that the present depression will not fully disappear until international trade becomes normal again all over the earth. Finally, there is always the swing of the political pendulum. The Democrats are strengthening their position, and they still stand steadfastly by the League.

But, if the undercurrent is setting once more in the direction of international co-operation, it is not likely to carry the United States back to the programme of 1919. America has reacted from the war, has rejected the League of Nations, is disillusioned about the possibilities of regenerating Europe in a hurry, and is determined not to become mixed up in what she regards as properly Europe's own internal concerns. If she is to embark upon a deliberate policy of international co-operation it will probably be because the problem has been thought out *de novo*, and because she has become convinced that there is a method of co-operation which is both consistent with her own political faith and ideals, and has a better chance of achieving practical results, than the abortive idealism of the period of the Paris Conference.

It is the purpose of this article to attempt to estimate what America's fundamental ideas about international

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co-operation are likely to be, and consider how far they are likely to be compatible with the views and necessities of Europe.

### I. THE AMERICAN STANDPOINT

**I**N estimating the probable attitude of any country to external problems it is seldom a good thing to take too much account of the ephemeral currents of opinion at the moment. It is the duty of the diplomat and practical politician to do this; the philosophic writer is entitled to take a longer view. It is his business to estimate the fundamental ideas upon which the political life of a country is based, and the traditions and geographical and other conditions which have shaped the national policy over a long period of time. It is these, in America as elsewhere, which determine action in the long run, and which it is most important to appraise rightly.

There is one great difference between the outlook of Europe and America which should be noted from the outset, for it colours nearly everything else. Every European tends to look backwards. He is born into a nationality, which has a strongly marked racial individuality, which has a long history, usually of conquest or repression, and which seems destined to an apparently eternal struggle for existence or for supremacy with hostile neighbours. He has no sense of being a European except in a purely geographical way, until he goes abroad. He is a Frenchman, a German, a Russian, etc., and his outlook on international affairs is primarily concerned with the future freedom and success of the national entity to which he belongs in the eternal struggle of the European States for place and power.

The American is entirely different. He will recognise, some Americans with pride, some Americans with indifference, or even dislike, that his ancestors came from England, or Ireland, or Scandinavia, or Germany, or Russia, or Italy.

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But that makes little practical difference. To-day he is an American, and to be an American is not something racial or national as it is understood in Europe, but is to live in a new and better world than Europe and to have a certain kind of forward-looking outlook on life. Somebody has described the people of the United States as a nation of international orphans. By this he meant that America, as an entity, has no historical past, reaching back into the mists of antiquity, as have most European peoples. America came into being in 1776. She is, as a nation, utterly unconcerned with anything that happened before that date. She was born to repudiate certain political dogmas and all organic connection with the old world, and to demonstrate and maintain the ideas of freedom and government embodied in the Declaration of Independence and the Constitution of the United States, and she has been almost wholly concerned ever since with the application of these ideas to the needs of the rapidly expanding area of the United States, and its rapidly growing population.

Further, throughout its history the United States has had no foreign problems to embarrass it. Its only neighbour was the British Empire, which, after 1783, entirely accepted American independence and, after 1823, was an active supporter of the Monroe doctrine that there should be no more European intervention on the two American continents. America, therefore, has never had to consider her own future in terms of rivalry with, or fear of, other nations. Having made a fresh start in a new world, she has been able to pursue her way according to her own ideas regardless of what the rest of the peoples of the globe were doing.

This orphanhood of America may have had certain cultural disadvantages, in so far as it tended to cut her off mentally from the great literary and artistic heritages of Greece and Rome and Europe. But it had three supreme advantages. It freed America from the ancient and deep-rooted hates and grudges which estrange and embitter and paralyse the peoples of Europe. It started America with-

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out the class and social distinctions which have been so long a hindrance to England, and without the military and diplomatic traditions which are the bane of the Continent. And it left Christianity without a rival as the dominant moral and spiritual appeal in her life. Modern Europe is the child of the Renaissance, modern America of the Reformation.

The spirit of America, in consequence, is different from that of any European people. It can best be judged, perhaps, by considering what thinking Americans mean when they talk of Americanism as the gospel which has somehow to be instilled into the immigrant if he is to be worthy of his citizenship. Americanism means that you accept absolutely the view that all men are by nature equal; that everybody should have free opportunity and should be judged by the use he makes of that opportunity, and not by any social, economic, racial, official or hereditary privilege; that it is the American people and not the abstract entity called "America" that matters; that government should be democratic in the sense that it must be conducted with the consent of all the governed; and that the future depends upon the vigour and initiative and ability with which the individual citizens "make good" in their chosen sphere of life, and are "good citizens" in their social and political activities. To the European America often seems to permit outrages on personal liberty which would not be tolerated in other lands. This is true, but on examination it will be found that it is the defect of a quality. Europeans resent State interference largely because the State, for historical or class reasons, seems something apart from themselves. In America the prevailing sentiment is that the will of the people must govern, even where it is intolerant and unreasonable, and that no claims of individual liberty can be allowed to stand in its way.

This spirit, born in the fresh air of the new world, strengthened in the struggle for independence from British control, and developed by the civil war, has been intensified

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by the fact that during the past fifty years America has again become a nation of pioneers, pioneers from the Eastern States, starting off to colonise and build up the vast undeveloped West, pioneers from Europe who left all to make a fresh start in a new land. This spirit is to-day the great energising, creative and assimilating force in America. It has made America what she is. And when it really begins to turn outwards, it will be, perhaps, America's greatest contribution to the solution of the world problem. Its buoyancy, its energy, its self-reliance, its absolute faith in the possibility of the progressive improvement and upbuilding of mankind, its rejection of authority and privilege and the enervating and cloying traditions of the past, and its profound belief in the gradual healing efficacy of equality and education and democracy, and its confidence that no problem, national or international, however difficult, is insoluble to reason and energy and common sense, are just what the tired and disheartened old world needs to-day.

It is easy, of course, to point to countless lapses in modern America from these ideals. The cynic would find it easy to tear these statements to shreds and tatters. Nobody can fail to be impressed with the violence and intolerance of public opinion, and the way in which it is swept by waves of mass feeling unchecked by serious individual thinking. But when all is said and done about the degeneracy of much in the United States to-day, it is none the less true that in America has been brought into being a spirit which previously had existed nowhere else, and which, if it can be translated into international terms, is the principal hope of the future. Without America the probability of Europe pulling itself straight, or of Asia or Africa lifting themselves on to a law-abiding, self-governing and peace-loving basis would be small indeed. The fact that she has been able to absorb tens of millions of Europeans, free them from race hatred, from subservience, from social limitation, and turn them into good American

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citizens, devoted to American ideas, hard-working, prosperous, self-respecting, is some indication of what this same spirit will be able to do when it gets abroad in the world.

### II. THE BASIS FOR AMERICAN CO-OPERATION

**I**F American co-operation in international affairs is to be secured it will only be because the ideal set up is such as will commend itself to this fundamental American point of view. Most nations are involved in international problems whether they want it or not. They are surrounded by contiguous neighbours, more or less like themselves, and their vital interests are inseparably bound up with the policy and actions of those neighbours. America is not so placed. To all intents and purposes she has no neighbours. Whatever may be the position in the future, she is to-day nearly self-supporting. The only reasons which will drive her to take part in international affairs will be that she thinks that it will be to her own advantage, or that she ought to do so.

Up to the present America has had no world policy. The nearest thing to such a policy was formulated by ex-President Wilson in his addresses between the date when the United States entered the war, April 2, 1917, and the signing of the Covenant of the League of Nations on June 30, 1919. But these, while containing general ideas to which American public opinion gave hearty assent at the time, were too closely associated with the European issues at stake in the world war, and early became too intertwined with the internal party politics which led to the rejection of the League of Nations, to serve as the text for American policy. Washington's warning against entangling alliances and the Monroe doctrine—the broad idea that it is America's business to build up a better civilisation than Europe's, as a model to mankind, rather than to exhaust herself in trying to put the old world straight—

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these still hold the field as the primary elements in America's external outlook.

Judging, however, from the fundamental American point of view, it is not difficult to see the kind of ideal for which America would stand. To the American spirit the future of the world can only lie in the progressive realisation of equality, higher civilisation and democracy among all peoples. The idea of the government of one people by another is deeply repugnant to the American mind. Patent necessity alone can justify it, and even so it is viewed with suspicion and dislike as being contrary to the instinct that every man ought to be master of his own fate, and that it is usually better for him to get into and out of trouble for himself than to be guided and kept out of it by another. If America is ever to throw herself into the task of international co-operation, it will be because she sees that there is a practicable way of equalising nations, pacifying their quarrels, ending imperialism, uplifting backward races to the level of independent civilised self-government, and so of producing a peaceful, prosperous, progressive world of peoples united in friendly relations, in which law reigns and war has no longer a place. America had some such vision when she entered the war. But the spectacle of the apparently ineradicable hatreds and intrigues of Europe, coupled with a largely partisan political appeal to narrow self-interest, especially directed to her less enlightened citizens, has clouded that vision, so that to-day idealism is blindfold and selfishness is in the saddle. But the idealism is latent. It has only to be focussed in a practical direction to begin to operate once more.

But America will always dislike active intervention in other nations' affairs as a means of bringing into being a new and better world. Her whole tradition of independence is against allowing any outside authority to interfere with her own complete freedom of choice. She is inveterately anti-militarist. She will recoil vehemently from any proposal that looks like the creation of a super-State. She



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will rely primarily on influence, argument and example to bring wisdom and order into international affairs. There is already a school of opinion that thinks that the United States is too unwieldy, that despite modern means of communication, it is almost impossible for public opinion to be effectively reached or to make itself felt, except on a very few of the most obvious issues of the time. Moreover, it is clear that the present machinery of democracy has been stretched to the limit in the greater States. A parliament of man on present parliamentary lines is a manifest impossibility. The population of the globe is about 2,000,000,000, and a world assembly would consist of some 20,000 delegates if there was only one member for every 100,000 voters. Whatever the far future may bring forth, progress for the moment, at any rate so far as America is concerned, must be by way of the increasing association of the leading Powers in maintaining conditions under which it is possible for every nation and people to work out their own salvation in their own way, subject to their respecting the right of all their neighbours to do the same.

But if the United States has within itself a spirit and many of the ideas which are vital to international reconstruction and peace, it has one supreme defect. It is extraordinarily self-centred, as a nation. America has very little sense of the brotherhood of nations. Her people have a strong humanitarian sense, which finds expression in the constant and generous works of relief and missionary enterprise, which they finance. She has a strong instinct for social reform, which is not only manifest within her own borders, but which extends to many subjects such as the opium traffic in the international field. But she does not understand that in a world of nations it is her action, as a nation, which matters, and is vital to the promotion of that world progress and world peace which she really has at heart. America does not feel herself consciously a member of the great family of nations. Her instinct is to lay stress on the importance of independence and self-

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government and to pay little attention to the necessary complement, the means of maintaining peace and cooperation between these separate entities. A perusal of the debates in the Senate on such matters as the tariff, the Panama Tolls Bill, the Shipping Subsidies Bill, or inter-Allied debts, all matters which affect other nations very closely, shows that the idea that the United States has to take into account the effect of its actions on other nations hardly ever emerges. America may decide on a generous or a selfish policy, but that is purely her own concern. She is clearly entitled to do exactly as she likes without consulting anybody else, or trying to meet their views. In the international sense she is not a good neighbour, or a good citizen. President Wilson's action in starting to negotiate the terms of an armistice with the Germans without any consultation with the Allies who were principally concerned was doubtless typical of the ex-President himself, but it was also typical of the general attitude of America in her relation to the outside world.

America, in fact, has got, in a much less malignant but still in a very definite form, the same disease of national selfishness which, as we shall see, is the principal cause of Europe's troubles, the greatest breeder of wars, and the chief impediment along the road of world liberty and world peace. It is this concentration on itself which explains why it took the United States so long to realise that the great war was a world question, and not merely a European question. And it explains why, after the United States had reversed its traditions, and entered effectively into the war, it suddenly turned round, within a year, and blasted the best hopes of European reconstruction and world peace by deserting the councils of the Allies, where its moderating and inspiring presence was of priceless value, and retired once more within its own shell. It could not have done this if it had understood or thought at all about what its action was going to cost its neighbours. It must have been thinking about itself alone.

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It is not difficult to see the causes of this attitude. There is first of all the great historical tradition in favour of isolation. It began with Washington, who warned his countrymen against the perils of entangling alliances. At the time Washington was perfectly right. The United States would never have become what it is if during the formative period it had exhausted itself and probably strained its constitution by becoming involved in foreign wars. But the doctrine is absurd now that the United States has become the richest and most powerful State in the world. The tendency to isolation, however, has another historical foundation. The whole early history of the United States stressed the ideas of independence and State rights as opposed to the ideas of unity and co-operation. It was this feeling for separateness, originating in the Puritan settlements, and in itself common in new lands, which presented the greatest obstacle to the formation of the Union itself, and which, when combined with the slavery issue, cost the people a five years' war and a million lives to preserve the Union. It is this same feeling to-day which blinds them to the fact that wars can be prevented and liberty assured only by the active co-operation of the United States with other progressive Powers.

The second great bulwark of the isolation policy is the immense mass of only partially assimilated foreign-born immigrants. These immigrants, for the most part enthusiastic Americans, have absorbed far more of the letter than of the spirit of the founders of America and of its constitution. They do not yet understand the underlying ideas which are commonplaces to the true American. Yet they have votes, and the politician knows how to appeal to get them. Their presence operates in two ways. It increases the hesitation of the better-class American to get mixed up with European questions lest divisions might be caused inside the United States if its Government began to take sides as between the various nationalities of Europe. And it adds enormously to the numbers of those who want

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America to live unto herself alone. The immigrants feel that they have left the old bad Europe, and they can see no reason why their new free motherland should get mixed up with the evils they themselves have escaped. The greatest obstacle to the internal progress of America to-day is the power of the low-class politician to organise votes in racial *blocs* or by narrow and unworthy appeals. And the greatest obstacle to America's taking an effective part in the world's affairs is the power of that same politician to appeal to narrow and short-sighted American self-interest or anti-foreign prejudice.

Two other influences must be mentioned. One is the gigantic size of America. It is 3,000 miles across, and the majority of the 110,000,000 people who dwell within it live between the Alleghanies and the Rocky Mountains, absorbed in the business of raising crops or manufacturing for their own needs and without any direct contact with the outside world. To these people the rest of the world is extraordinarily remote, and it is very difficult for them to realise that they belong to it or have any concern with its affairs. The other influence is the feeling, already noticed, that it is rather America's business to show the rest of the world a progressively improving example of how a people can live happily and prosperously rather than to go crusading to help other nations in distress. And this feeling has been intensified by the spectacle of Europe since the war. If many Americans have felt acutely that the United States should take a hand in the work of reconstruction, they have also felt that the greatest necessity of all is that the nations of Europe should themselves begin to show some sense of European community, and not try to make America take sides in their own internal quarrels.

# The European Impasse

## III. THE EUROPEAN IMPASSE

**B**UT if there are difficulties from the side of America in developing international co-operation for permanent peace, what are we to say when we turn to Europe? Europe to-day, despite its preoccupation with international affairs, is a far more formidable obstacle to progress than the United States with its indifference to international affairs. The United States understands the ideas necessary to establish peace and order on earth, but is reluctant to do much to help to spread them. Europe hardly yet knows of them, and is indeed committed to a doctrine which is incompatible with their realisation. That doctrine, or rather religion, for it has all the sanctity of religion, is nationalism in its most virulent form.

Europe to-day is mad with nationalism, a nationalism which largely takes the form of hatred and suspicion of other nations. The war freed her from the three great military despotisms of Russia, Austria-Hungary, and Germany, and extended democracy right up to the Russian frontier; but in doing so it stirred to the very bottom the racial and national animosities which lie at the root of European history. Every nation on the Continent of Europe to-day, mesmerised by the traditions of the past, maddened by the propaganda of national hate and national ambition, is thinking of the future almost exclusively in terms of its own self and of jealous rivalry of its neighbours. Here and there a sane voice which tells of the need for European concord and a long view may be heard. But as Genoa showed, they receive little attention amidst the babel of nationalist cries. It is the freedom, the riches, the glory and power of France, or Germany, or Italy, or any of the new States of Eastern Europe that matter, and when one comes to analyse what these mean, somehow or other they involve the suppression or the weakening of their

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neighbours. The only obvious rival to nationalism to-day is, not the low quiet voice of reason and goodwill, but the blatant preaching of another hatred, the class hatred of Karl Marx.

The results of these intense national fears, rivalries and jealousies have been shown forth in history, time and time again. Every nation, regarding itself as being surrounded by dangerous and designing foes, has to rely upon its own armaments or on military alliances with others for its own safety. Every change in relative armament is jealously watched, for it may alter the balance of power. Competition in armaments inevitably sets in, the tension from suspicion rises, until finally an incident occurs, mobilisation is ordered, and before anybody can prevent it, the nations are at one another's throats in an agony of hatred and fear, and killing and destruction continue until exhaustion or victory calls a halt, when the whole process of building up the conditions of a new war begins again. And every century or so some powerful State or despot tries to end the strain by establishing a military autocracy over all Europe, which produces a conflict for national freedom that embraces the world.

There can never be any end to war, there can be no progress towards international liberty, law and peace in Europe, so long as nationalism in its extreme form holds the European field. Nationalism, in the sense of the desire of a community united by history, language, or race, for independence and freedom of individual expression, is a fine thing. France as a nation has made tremendous contributions to democracy, to thought, to the arts. Germany, Italy, Spain, Russia have all added to the sum of human achievement. Yet all the work they have accomplished, all that together they might do for their common European motherland, is endangered, and millions of lives are sacrificed on the altar of a savage and egotistical worship of the national self, a worship which not only does not protect the object of its devotion, but ruins and enfeebles

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it by continual wars. There is only one way in which the European peoples can secure what they are really seeking, peace, freedom and opportunity for individuality, and that is not by aggressive self-assertion, but by being ready to concede to their neighbours what they claim for themselves, and by establishing some common institution for the adjustment of European affairs, as England and Scotland did in 1707, and the thirteen American colonies did in 1789.

How fundamentally shallow are the foundations of the national fears and suspicions which keep the European peoples apart can be seen by contemplating what happens to these same races when they go to America. The United States is built up of precisely the same racial ingredients as Europe, though in somewhat different proportions. It contains English, Scots, Irish, French, Germans, Italians, Jews, Magyars, Russians, Czecho-Slovaks, Yugo-Slavs, Greeks, etc. The only different stocks are the Red Indian and the negro. These 100,000,000 people of European stock inhabit a country of about the same size as Europe. The natural resources of the two are not dissimilar. Each has coal, iron, agricultural products, forests, water-power, minerals in abundance. The climates are much the same. They profess the same Christian religion in varying forms, and draw their culture from common roots. Yet the very races which combine in America, losing all sense of fear and hatred and distrust of one another and co-operating perfectly well together, in Europe are divided into groups which hate and fear and distrust one another with terrible intensity, believing that no good can come out of the other and in consequence trusting to armaments and the diplomacy of force with which to obtain what everybody within America or the British Commonwealth of Nations has under the protection of law. The only reason for the difference is that in Europe humanity is grouped by nationalities and is being continually soaked by tradition, by politicians, by propaganda and the Press in the wrongs of the past and in fears for the future, while in America or

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the British Commonwealth they are intermingled under the influence of Anglo-Saxon ideas embodied in the common law and in membership of a single constitutional union. It would serve no purpose to underrate the strength and tenacity of racial feelings. They will not yield in a day or a month or in many years. But this contrast serves to show that the trouble lies, not in the nature of the humanity of Europe, but in the beliefs and ideals into which it has been born and educated. If the natural unity of Europe has been destroyed by education in an egotistical nationalism and mistrust, it can be restored by education of a wiser and better kind.

But if the outlook at the moment seems black, the underlying signs in Europe are not unpropitious. Nationalism as a disease is clearly coming to its crisis. All Europe must soon see what many Europeans already see, that Europe must master self-centred nationalism or nationalism will destroy European civilisation. The war has removed the despotism which thrived on national jealousies and fears. It can only be a question of time for those issues to be solved which now exacerbate the relations of the European Powers and keep alive the passions of the war, and especially the reparations question, the insolvency of the national finances, and the Bolshevik propaganda of suspicion and unrest. If the British Commonwealth and the United States play their part there is good hope that the European peoples will then begin to come together and recognise that they must live harmoniously together if they are to live at all.

### IV. THE BRITISH COMMONWEALTH

**W**HAT of the British Commonwealth? Where does it stand? It occupies a very peculiar position, for it is not possible to speak of it as a single entity. From the international point of view it has three aspects—Great Britain, the Dominions, and India and the peoples which



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are not yet self-governing. Great Britain, owing to the existence of the Channel, stands midway between Europe and America. Great Britain is an old and experienced Power, and has been intimately associated with all the chief aspects of the world's political history for centuries. Perhaps for that reason she has nothing like the same forward-looking outlook as the United States. Nor has she ever had the revolution of social equality, though the old class distinctions are rapidly passing away. In consequence the atmosphere of hereditary privilege and of imperialism, though greatly weakened since 1900, has clung about her council chambers, and has strengthened the idea that the British Government ought to make itself responsible for other and more backward peoples, rather than encourage them to work out their own salvation just as quickly as is practically possible, which has lain at the root of half the discontent in India and Egypt. Great Britain, too, despite the fact that she gave birth to *Magna Charta*, to the common law, and to the Mother of Parliaments, has nothing like the same abounding faith in democracy or in the infinite capacity of man for progress and regeneration under a self-governing system as is characteristic of the United States and which is necessary to move the mountains of doubt and scepticism and ignorance which stand in the way of world unity.

On the other hand, she is not drugged by the ancient race hatreds and nationalist fears of Europe. She was the first of the great Powers to overcome the bane of nationalism in the union of England and Scotland and Wales, and these three strongly marked and previously hostile racial individualities now combine happily in one parliament. With Ireland alone has she failed. She has, too, overcome the evils of nationalism still more successfully by keeping voluntarily together in one Commonwealth the great number of peoples and nations which go to make up the British Empire to-day. Moreover, if Great Britain is less idealist and less progressive as regards the future than

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America, there is no nation in the world which is so tolerant and considerate in its handling of international problems or which recognises more fully that no nation can dictate to others the way they should go, and that international peace and progress can only be won by the slow and patient process of inducing nations to come along of their own accord. Great Britain, perhaps because of her experience in handling the national problem of the British Empire, is essentially a good neighbour in the international sense. Though for centuries she has been mixed up with the problems of the whole earth, there is no people which has so consistent a record for the sane and steadfast support of reason, fair-play and liberality in the conduct of international affairs.

The second element in the British Commonwealth is the Dominions. In fundamental outlook they stand on much the same ground as America. They are new countries looking to the future rather than to the past. They are intense believers in democracy, social equality, in the doctrine that every man must have opportunity and be judged by the use he makes of it. Their influence in the counsels of the Commonwealth will be steadily cast for the progressive view, but it will be tempered by a much more tolerant and responsible view of international affairs than in the case of the United States by reason of their membership of the Imperial Conference and their consequent understanding of the realities of world politics. The contrast between their attitude and performance in the world war and that of the United States is an instance of their broader international outlook.

The third element in the British Commonwealth is symbolised by India. In the relations between the white nations and the peoples who are still not able to take full charge of their own affairs, the British Commonwealth has to deal with what in the long run is going to be a greater problem even than the relations between the great civilised Powers. For the relations between the backward

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and the advanced peoples are necessarily complicated by differences of colour, religion and civilisation. The attempt which is already being made, not merely to introduce democracy among the 325,000,000 people of India, but to bridge the gulf between East and West by making India a member of the Imperial Conference, is an example of exactly that process of direct and personal consultation which must be followed in all international problems, if misunderstandings, prejudice and suspicion are to be dispelled and international questions are to be adjusted in friendliness, justice and peace.

The British Commonwealth, therefore, may be less idealistic, less democratic, less confident of the future than the United States, when taken as a whole. But it is less tainted by nationalism, the great international evil of the day, than either Europe or America, for it is itself an association of nations. It is also a standing attempt to disprove the doctrine that East and West cannot understand one another and co-operate together, though the issue of this experiment is still in doubt. It has, too, of all States the widest range of international experience. It is clear, therefore, that it has a great contribution to bring to the solution of the international problem. Moreover, it is daily becoming clearer that the British Commonwealth can only solve its own problems in proportion as it helps to solve the world's problems. For the British Commonwealth is a microcosm of the world, and it is manifest that peoples divided by race and language and colour, to say nothing of civilisation, religion and the seven seas, will never integrate into a single organic whole separate from, and perhaps in opposition to, their fellow men. Its own internal questions are inseparably bound up at every point with those of the rest of the world. The problems of the future relations of the various self-governing members to one another, and of the Asiatic and African peoples to the British and to the Dominions, will only be solved as they are seen to be part of the larger question of the mutual

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relations between all the civilised Powers, and between civilisation as a whole and the backward peoples.

### V. CONCLUSION

ONE conclusion seems to stand out from the considerations advanced in the foregoing pages with transparent clearness. Whatever the other difficulties in the world may be, difficulties from colour, from varying degrees of civilisation in Europe, and from the peace settlement, the paramount evil from which the world is suffering to-day is the worship of the false god of selfish nationalism. So long as that religion is in the ascendant every other problem is insoluble. It makes every people look at the problems of the world from their own narrow point of view. It makes for suspicion and fear and blind folly where trust and long views are essential. It leads inevitably to reliance on armaments and diplomacy instead of on fair play, open deliberation and the growth of law. And every few years it drives nations to try to settle their disputes and rivalries with the sword, with results which not only exhaust the combatants themselves, but damage the prosperity of the whole earth and leave behind fresh fountains of enmity and hate. The biggest single reason for the failure to deal with the post-war problem has been the inability of the nations, especially since the withdrawal of the United States from the deliberations of the world, to rise in the consideration of the reparations issue, the debts problem, the Near Eastern problem, above their own national standpoints. How comparatively easy of solution these questions are when they are really looked at from the standpoint of what will most promote the general good can be seen by anybody who will begin to consider how they should be dealt with from that point of view.

There is no people that is free from belief in this false religion. With some it takes the form of fear and jealousy

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of their neighbours. With others it takes the form of indifference to others and of thinking only of themselves. Even in the case of the British Commonwealth, which, by reason of its composition, has the disease less intensely than most, the sense of loyalty and brotherhood is more or less confined to those who dwell beneath the Union Jack.

The religion of national selfishness has at regular intervals produced wars in the past. Unless it is overcome it will infallibly produce them in the future. One has only to look at the attitude of the United States—certainly one of the most advanced and progressive communities in the world—towards Japan, to see what is bound to happen again unless this evil is grappled with. The attitude of American public opinion before the Washington Conference, in its suspicion and intolerance and reckless assertion of its own point of view, was exactly like the attitude of the European States towards one another before the war. People continually spoke evil of Japan and openly spoke of impending war. Fortunately the Washington Conference was summoned. It dealt with the issues of the moment in a fair and friendly spirit, and the war cloud which a few weeks before had threatened to break vanished into thin air. The Pacific problem is not permanently solved. It will reappear. But the Washington Conference showed the way in which all international questions can be dealt with when something larger than a purely national standpoint is kept in view. It is only necessary that the spirit of the Washington Conference should become universal, should be embodied in some permanent machinery embracing all nations, which will enable all international problems to be handled in the same way, for the danger of another world war to disappear from the earth.

What is needed above all else now is the growth of the world standpoint. Nothing less wide will meet the case. It will be extraordinarily difficult to get America to feel that she ought to take a very active part in helping to set Europe alone straight. But present the problem to her as

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one of making the whole world a place of liberty and peace and she will respond. It is the same with Europe itself. The purely European divisions are so old and so deep-rooted that they are difficult to forget. It would be easier in many ways to lift Europe out of nationalism and armaments as part of a world movement than to make it forget its animosities by itself. And obviously the problem of dealing properly with such questions as the Turks, or the colour problem, or the treatment of backward peoples, can only in the long run be handled uniformly and well from a world standpoint.

Further, is not the recognition of the Golden Rule as the standard in international affairs the only real road to lasting prosperity as well as lasting peace? It is a commonplace that civilisation and enterprise grow in every country in proportion as law and order take the place of anarchy and the rule of the strongest. It will be exactly the same in the international sphere. Can anyone doubt, if tomorrow every nation were to abandon its aggressive armaments and to abolish that other great example of international fear and suspicion, its high exclusive tariffs, that a wave of prosperity and enterprise would go round the world, which is absolutely impossible so long as every people tries to make itself a watertight compartment, bristling with armaments and impediments to trade. For the moment such an idea seems to be preposterous and absurd. Yet, on a dispassionate consideration, is there any other way in the long run in which mankind can gain the peace, the prosperity and the mutual understanding which are necessary to its future?

One other conclusion also seems to stand out. The road of progress lies in unity gradually increasing through education, example, and free conference of free peoples. It will never come through control imposed from above. The creation of a world State has been attempted several times from without. Napoleon, who saw clearly the evils of competitive nationalism in Europe, tried it and failed against

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the stronger instinct for self-government. Some of the more far-sighted Germans thought it was the mission of Germany to do for Europe by force what Bismarck had done for Germany by force fifty years before. The Roman Empire actually succeeded in giving law, unity and peace to the whole known civilised world, but it decayed because the larger it grew the more centralised and autocratic it became, until all spontaneous and democratic life disappeared. If the unity of the world is to come about under the reign of law it must be by voluntary growth from within and not by imposition from without. Christianity transformed Europe in its earlier days. By no political control, but by the spirit which it breathed, it abolished pagan idolatry, it humanised and made more merciful the law, it mitigated and finally abolished the rigours of slavery, it conquered the barbarian and gave once more unity to the civilised world. But in the process ecclesiasticism and organisation had overlaid the more creative and powerful working of its spirit. The attempts of the Holy Roman Emperors and of the Papacy under Hildebrand broke down because they sought to do by force from without what could only be done voluntarily from within. But in breaking down they gave place to the Renaissance, which restored something of the freedom of thought and spirit which had been lost, though it let loose again the racial and national passions which previously Christianity had stilled. It is the Christian method which is fundamentally needed again to-day, though it will find expression in external institutions.

What the future organisation of the world will be, whether it will be a revived League of Nations or a new Association of Nations, none can say. But that it will be a gradual growth towards world peace, world law, world freedom, by a process of voluntary international conferences, at which the humanity point of view steadily defeats and destroys the selfishly nationalist point of view seems certain. There is no chance and there would be no permanence and no vitality or freedom in unity reached by any other road.

## America and the International Problem

America, too, is right in one thing. She is convinced that it is of more value to the world that she herself and all other nations should show a progressively improving standard of democratic government than that they should imperil their own standards by unnecessary interference with others. Had the governing classes in England during the last fifty years spent more time in improving conditions at home, in dealing with slums and poverty and in perfecting democracy, and less in giving to eastern countries under a benevolent despotism an extraordinarily high standard of governmental integrity and efficiency, at the price of excluding their peoples from real responsibility, it would probably have been better for both. On the other hand, Great Britain is right about another thing. No nation can live unto itself alone. If so, it will lose "that which it hath." Peace and international liberty will not just "grow." They will grow if the nations mean them to grow, and if the peoples which have the highest standards set to work patiently and without discouragement to help others to see what can be done. Without their help in constant conference and patient deliberation about all the world's affairs, and occasionally, where necessary by intervention, to maintain the conditions in which liberty and progress can develop, how can the ideals for which they stand get a chance? If the Washington Conference was an example of what can be done in propitious circumstances, the Genoa Conference was an example of what must be attempted again and again in unfavourable conditions, until fear and prejudice and selfishness yield to the larger view, national selfishness is swallowed up in the world-view, and armaments and wars disappear from the earth. It will not be easy to rebuild the broken temple of the world's peace, shattered first by the war, and later by the break-up in the unity of the Allies. But if these failures mean that a new attempt is to be made, from the only standpoint which can ultimately succeed, a standpoint which embraces all mankind, the sufferings and failures of the last few years will not have been in vain.



## AUSTRIA

### I. THE PRESENT SITUATION

**T**HE old Austro-Hungarian monarchy was a well-constructed fabric. Railways and rivers, banking and commerce, supported each other ; industry and agriculture developed in their natural habitats : and at the centre Vienna took toll of the prosperity of 60 million people, who on the whole lived easily and profitably in a self-supporting and protected area. The War destroyed this compact unity, and the Peace left the torn network of economic relations unrepaired. The seven German provinces with the Imperial capital became a federal Republic, a strange composite of peasants, bankers, merchants and officials, with no tradition or sense of national unity, and with an administrative equipment designed for the requirements of a great Empire. A Roman who had been born under Theodosius and died in the service of Julius Nepos at Salona had seventy years in which to adapt himself to the changes through which Austria has passed in three.

Apart from language and the hostility of their neighbours there is little to hold these six million people together. There are cleavages, racial, religious, and social, between the divers elements of the Austrian population. The animosity of Prague against Vienna is hardly more bitter than the feeling of the Catholic land-owning peasantry of Tyrol for the Jews and Socialists of the capital. The Federal constitution gives large scope to the separatist tendencies of the cantons, while it furnishes the central Government

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with few means of control over their actions. Nor is the central Government itself strongly built. From the centralism of the Monarchy Austria passed at once to a phase of super-democracy. The President is without power or authority. He does not appoint Ministers, even nominally. He cannot dissolve Parliament. Nor can the Government : the Houses must vote their own dissolution. In Parliament itself parties are so adjusted that the balance is held by the small and unintelligent group known as the German Nationalists. The Christian Socialists are undisciplined, the Social Democrats are well organised and well led. But the Social Democrats are under the fear of their own left wing, and in the freedom of opposition indulge in projects which in secret they hope they will never be called upon to execute. In these circumstances, with no political public to control the politicians, the business of government is for the most part settled in interminable party conferences. Political chatter abounds and personal abuse is voluble. But public opinion hardly exists except in the shape of petulant or passive disgust for the whole profession of politics.

A succession of weak Governments, without popular support, without force, without traditions, and limited even in their legal authority by an elaborate and defective constitution, could hardly conduct with success the affairs of a prosperous and united community. The most that could be hoped would be that they should not greatly impede its natural development. But the Austrian problem would have taxed the united capacity of Hastings and Pitt. The Austrian cantons, which for generations had lived comfortably on Hungarian and Croatian food supplies, on the profits of a small but fine industry, and on the income Vienna derived from managing the business of 60 million people, found themselves suddenly without food, coal or raw material, and surrounded by neighbours who were determined not to do business with them. Railways had to be kept running though there was civil war in the Silesian

## The Present Situation

coalfield and the chief Austrian repair shops had been assigned by the Treaty to foreign States. A new customs tariff had to be framed, though the impoverishment of the country left no bargaining powers to the Government. A new system of taxation, based on a new distribution of wealth, had to be introduced. The army had to find civil employment. An administration appropriate to a great Empire had to be transformed into something simple, inexpensive, and adapted to the circumstances of a small mountain republic.

The programme has not been realised. One solid achievement stands to the credit of the Republic—the railways, on which the communications of Europe depend, have been kept running. And the railways in turn have enabled Vienna to turn her geographical situation to profit. Gradually the capital has re-established her financial ascendancy. Private interests have proved too strong for national animosities and trade has overridden frontiers. In one way her sphere of operations has been enlarged—old Austrian provinces have become parts of Rumania and Poland, and a connection renewed with Czernowitz or Cracow now carries the influence of Vienna to Bucharest and Warsaw. Traders from Bohemia and Serbia have resumed the habit of dealing with one another in and through Vienna. Custom and expertness have produced their natural results, and the goodwill of the capital as a financial centre, if not unimpaired, has retained or recovered a remarkably high proportion of its old value.

But Vienna might flourish equally well as the Federal District of a Danubian Federation, or as a Free City, or as Germany's outpost toward the Balkans. What is by no means so sure is that the Republic as a whole can survive at all. That it has existed for four years is in a large measure the result of conjunctures which will not return. Austria took the fancy of a world disposed to be generous. In four years some £30 million of Government credits and perhaps £10 million more of private charity were

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administered to the Austrian population. The famine which seemed imminent was averted, and industry was given time and material for revival. The middle class was sustained through a period of real suffering; the inroads of tuberculosis and rachitis were checked, and the Austrian workman was diverted from thoughts of revolution. Indeed, with rent restricted, food subsidised, cigars below cost price, an increase of wages whenever he asked for it, regular employment, and a kindly foreigner to feed his children, he has had less to complain of than many inhabitants of less advertised lands. But his prosperity, like the brilliant and animated life of Vienna, rested on the unsure basis of a prodigious and unexampled inflation of currency.

### II. INFLATION AND ITS CONSEQUENCES

AUSTRIA has become the world's object lesson in inflation. Every traveller returning from Austria has brought back stories of a strange country where he paid £250 for his lunch and found that it cost him eightpence, and where accounts were made up to one-eighty-thousandth of a penny.\* Beginning at 7,000,000,000 kronen in 1919, when the stamping of old Austro-Hungarian notes by the Succession States took place, the currency has now reached nearly 700,000,000,000. In two years the £ sterling has risen in value from 500 to 250,000 kronen, and it is impossible to feel any confidence that it may not be at 350,000 or 450,000 in a few weeks. Of the 700,000,000,000 kronen in circulation about 100,000,000,000 have been issued against commercial bills; the rest are unsecured. Like the rouble, the krone has shown a vitality beyond all expectation. Observers who two years ago pronounced that things could not go on much longer are now inclined to say that as they have gone on so long there is no reason why

\* Before the war the exchange stood at 24·22 kronen (crowns) to the £ sterling.

## Inflation and its Consequences

they should not go on indefinitely. At what point, and in what shape, catastrophe follows on inflation is a matter of speculation where the history of the assignats and of the rouble alone furnishes any, and that very inadequate, guidance.

Unlike Russia and revolutionary France, Austria is dependent for half her food supplies and almost all her coal and raw materials on foreign countries. She requires, therefore, a large purchasing power abroad. The returns by value of Austrian imports and exports for 1920 show an adverse balance of about £30 million. This deficit was covered in the following ways:—(a) Foreign credits and charity, already referred to and amounting to some £12 million a year; (b) expenditure of foreigners. It is impossible to assess the figure, but a million visitors spending £5 a head is not impossible. It must be remembered that Czechs and Hungarians are now foreigners, and business and family relations bring them to Vienna by thousands every week. On the other hand, this traffic was fostered by the exceptional cheapness of living in Austria, and as prices rise the influx of visitors falls off; (c) the services of Vienna as a banking and transport centre; (d) the income from foreign securities and property; (e) the sale of kronen. Of these sources of income it is clear that the third and fourth are the most important. In fact, the survival of Austria as a State depends on them.

Regarded from another point of view, Austria may be said to have existed so far on export, services, dividends and inflation. The impetus given to industry by a falling exchange is now a well understood phenomenon. Wages and retail prices lag behind the exchange, and therefore with the krone falling the cost of production is low. But it has been observed in Austria that the interval between the fall of the krone and the rise of prices tends to become less and less. In 1920 it took prices months to overtake the exchange; in 1921 weeks; in 1922 the reaction is very quick. But as it is the interval which gives the manu-

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facturer his advantage the impetus gradually disappears. There are two stages in the process. In the first, relying on a continuance of low costs, he quotes fixed prices for his wares and undersells competitors. In the second, he is forced by constantly rising costs to quote prices on delivery. This deprives him of a large part of his competing power. If he quotes too high he loses his market; if too low, he loses his money. The trade boom in the spring of 1921 was the result of a singular conjuncture—the mark was steady, the Czech krone was rising, and Austrian prices were still under the influence of the sudden fall of the krone from 500 to 2,500 in the latter part of 1920. Just a year later the Vienna fair gave an opportunity of observing the effects of a falling mark. German manufacturers were in precisely the same position their Austrian competitors had reached a year before, while Austrian costs were moving rapidly upwards. The Germans were quoting fixed prices; Austria had been forced into prices on delivery. Unemployment was on the increase. The fair showed that on the new basis Austria could not compete. The precipitate fall of the krone in May partially reversed the position, and for the moment Austrian industry recovered. But if the mark takes another plunge downwards it is difficult to see how Austria can stand against it. Prosperity based on inflation is at the mercy of any neighbour who inflates faster.

On the other hand, while the beneficial effects on export wear out, the adverse effects on other income are accentuated by time. Austria, or more strictly the upper and middle classes of Vienna, were and are great holders of investments abroad—*i.e.*, in Czecho-Slovakia, Hungary and Jugo-Slavia, as well as in the *Altausland*. At the Peace Conference the holdings in Czecho-Slovakia alone were estimated at £1,000 million, and though the figure is not to be trusted it was not challenged. But on the most cautious reckoning the value cannot be much less than £200 million, yielding an income of £10 million. But

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this money is not returning to Austria. It is deposited or invested abroad, not to escape taxation, which is exceedingly light, but to avoid the total loss which seems inevitable if it is converted into kronen. This is one aspect of the much-canvassed flight from the krone. Next, the proceeds of export, so far as they are not required to replace stock or plant, go the same way, and the manufacturer leaves his profits abroad and borrows kronen from his bank. Naturally he has to pay high interest, but the alternative is to sell his foreign currency and watch his kronen dwindling before his eyes. The alarm spreads. Classes who have no use for foreign currency buy it to secure their savings. A fit of depression of the kind to which the Austrian crowd is much subject creates an uncontrolled demand for foreign currency—or for goods and pleasures. Servant girls make haste to turn their wages into lire or Polish marks, or whatever the fashionable currency may be ; peasants flock to town to load themselves with articles necessary and unnecessary and to eat and drink what they cannot spend. It was noticed in the first three months of 1922 when the krone was ranging from 43,000 to 26,000 and desperate appeals were going up to the Entente, that the import of wine was three times greater than in the same months of the previous year. Hence comes the fable of the Industrious and the Idle Son. Each inherited 25,000 kronen. One put his £1,000\* in the bank, where it is now worth two shillings. The other drank 25,000 bottles of wine, sold the empty bottles for 100 kronen each, and became a millionaire. The frantic speculation in currency and securities is the most obvious symptom of the public malady. But the crowded shops and theatres are another, of which the passing traveller rarely sees the true significance.

The national economy is in three respects unsound. Saving is impossible ; visible export is under an unnatural stimulus ; invisible export is under an unnatural restraint,

\* 25,000 kronen was worth about £1,000 before the war.

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and each symptom intensifies the other. And the healing process must be painful. Suppose that by some unforeseen combination the krone began to appreciate. Foreign money would at once return to the market, and to that extent the trade deficit would be relieved. But simultaneously it would be aggravated by the cessation of export during the interval while wages were falling. Unemployment would spread. And no one who has observed the performance of the Austrian Government during the past three years can have any confidence in their capacity to deal with a social crisis.

From what has been said, it will be evident that the problem whether Austria is capable of independent existence can only be solved by experience. What is the normal balance of visible exports and imports? In any case it must be adverse. But how far can it be reduced by the development of agriculture and of water power, which will relieve the demand for foreign food and coal? How far by the restriction of luxury imports, without provoking retaliation against Austrian manufactures? How far can Vienna make good the ultimate deficit by services? To what extent will foreign earnings return into the Austrian national account? It is impossible to give anything but a speculative answer to these queries. On the whole, the best opinion seems to be that, given normal conditions, Austria can support herself. But how and when will conditions become normal? And what will happen in the meantime?

Of these three questions only one can be decisively answered. Conditions are normal when the manufacturer can calculate his costs and prices on a firm basis and when foreign earnings return naturally to the country of ownership. This supposes that the krone is stabilised in the sense that its fluctuations are brought within the limits indicated by the ordinary movements of trade. The unnatural demand for foreign currency will then cease, credit will be easier, and if, after all, it proves that Austria



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cannot exist alone, the indication will be a slow fall of the krone in place of the panic drops and hysterical recoveries of the last few months. The situation will, in fact, be a manageable one in which the symptoms can be observed and the future considered at leisure. But to stabilise the krone two things are necessary—confidence and deflation. The Austrian public must be made to believe that their money will be as good to-morrow as it is to-day. And the production of paper kronen must be put under restraint.

This means nothing more than the balancing of the budget. Here, again, there is a speculative element in the problem. Is it certain that the necessary expenditure of the Federation and provinces, regarded as civilized States with a certain level of public order and welfare to maintain, is within the taxable capacity of the area? This question, too, can only be answered by experience. For the present the answer is that the old system of taxation has utterly broken down, while the expenditure is on a scale which the Austrian Government is equally unable to justify or restrain. Given a taxation based on the present distribution of wealth and an administration based on the present requirements of the country, Austria could probably pay her way. She has no navy, no army worth speaking of, and her debt has been practically extinguished, along with her *rentiers*, by the depreciation of the krone. But whether the new taxation and the new administration could be achieved without the use of force is doubtful, and few Austrians believe that Austrian force would be sufficient.

The essence of the budgetary situation is as follows: Food and coal had to be imported in quantities beyond what exports and credits could purchase. The Government therefore had to provide them out of its own resources, and its only resource was the printing press. In this way inflation began; it was inevitable. At the end of 1920 it was decided that the issue of cheap bread must cease. The decision has been generally praised. But it did not check inflation. It is true that the workman had to pay the market

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price for his loaf. But he recovered the price in his wages, the employer drew on his bank, the bank drew on the State bank, the State bank on the printing press. As the Government is the chief employer of labour in the country its demands for cash are naturally enormous. In May the wages bill rose from 15 units to 24; a strike carried the figure to 27; July added a further 11. But all the while taxes are being collected, not at the momentary value of the krone but at its value some months or years before. The deficit on the budget increases week by week and day by day. The great capital levy of 1920 was estimated to yield £25,000,000. With the krone at 150,000 it had practically disappeared. The same thing is true of railway rates, postal rates and customs, where the lag behind is of several months. In the case of income tax it is now so great that some of the best authorities are in favour of dropping the tax altogether and saving the expense of collection. The history of the customs and postal rates is particularly instructive. Austria has hitherto retained the old tariff of the Empire with, incidentally, the strange result that customs introduced a generation ago to protect Bohemian industries are still being levied on Austrian imports, though Bohemia has become an active and hostile competitor. Since the Armistice the practice has been to convert the nominal gold rates into paper kronen by a coefficient fixed from time to time. The results were as follows: In May, 1919, the rates were at 60 per cent. of the true rate, in December 20 per cent., and in April, 1920, 14 per cent. Then the coefficient was trebled, with bad effects on the receipts. In the second year, from 60 per cent. it fell by degrees to 33 per cent., and was gradually raised to 90 per cent. In the third year, beginning at 90 per cent., it fell steadily as low as 30 per cent., and was then gradually increased to 60 per cent. One result was that at one stage the duty on a bottle of French wine was about fourpence. The post office has a similar record. On the budget prepared in October, 1921, it showed a surplus.

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By January it contemplated a deficit of 11,000,000,000 kronen. Rates were then raised sufficiently to yield a surplus of 2,000,000,000 kronen. By May there was once more a deficit of 7,000,000,000 kronen. In 1921 the tobacco monopoly was run at a loss because prices were not raised as fast as the krone fell. A telegram to-day costs a halfpenny; and railway fares are fantastically low. Needless to say, both telegraphs and railways show a deficit. Indeed, the railway deficit is by far the most serious item in the whole budget.

Of taxes, strictly so-called, some extraordinary figures have been published by the chief Government statistician, who shows that, expressed in gold, taxation has declined to about one-eighth of its pre-war yield, and that what were once the pillars of Austrian finance—the Land Tax and the Profit Tax—have practically disappeared. They are collected, but in paper they no longer bear any relation to the wealth on which they are supposed to be levied. The Income Tax has become so complicated as to be a mystery to the officials themselves. At the other extreme the Increment Tax on the transfer of real estate is so oppressive that it is systematically evaded. It is difficult to make the ordinary citizen see that if he bought a house for £1,000 and has to sell it for £500 he ought to pay a tax of 30 per cent. on a supposed profit extracted from the formula  $500 \times 150,000 - 1,000 \times 24$ . He has, it is true, the consolation of knowing that if he kept it he would be limited by law to a rent of a few pence a week and supposed to keep it in repair.

With receipts and expenditure in this state of constant fluctuation it is not easy to discover what the true Austrian budget is. Approximately it appears that at the middle of this year the receipts were at the rate of about £11 million a year and the expenditure £25 million, of which about half goes in salaries and wages. It is difficult to suppose that taxation of less than £2 a head is all that a country without a national debt can carry. The

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truth is that since the war there has been a great redistribution of wealth in Austria and the old taxation is largely working *in vacuo*. At one end of the scale profits are habitually concealed. At the other the working classes, peasant owners as well as industrial employees, escape taxation almost altogether. No method has yet been devised for reaching the defaulters. But until it is devised and the whole Austrian population is equitably taxed it is useless to speak of balancing the budget, stabilising the krone, or achieving an equilibrium of trade.

In newspaper offices it appears to be currently believed that at a pinch a State can always avoid bankruptcy by dismissing some civil servants. The doctrine is naturally agreeable to every one who finds the alternative of paying more taxes unpleasant. Austria, with 225,000 employees whose earnings consume practically the whole revenue of the State, would be a good field for the experiment. The extravagant staffing of Austrian administration strikes every visitor. In part it is a national habit which is as manifest in banks and shops as on the railways and in Government departments. But it has been aggravated since the war by various causes. Something had to be done with the officials expelled from the Succession States. Then came the eight-hour day, which added, for instance, about one-fifth to the personnel of the railways. Then the State undertook to pay half the expenditure of the provinces in personnel, but omitted to secure a corresponding control over their establishments. And at no point in this process was there any determined effort to simplify or co-ordinate the loose and luxurious methods of administration which the Republic took over from the Empire. It is only now, when the end of monetary inflation is in sight, that the significance of administrative inflation becomes apparent. When the tobacco monopoly has been made to yield a profit, when posts and telegraphs are self-supporting, there will remain two principal sources of loss—the railways and the general personnel. When railway rates have been raised

## Conclusion

to the maximum there will still remain two—railway personnel and other personnel. Each category may perhaps include 20,000 or 30,000 surplus workpeople. Where are they to go ?

### III. CONCLUSION

THESE, then, are the elements of the Austrian problem. The nation is not paying its way because its citizens are removing their wealth to foreign countries. The State is not paying its way because it is spending too much and getting too little. The deficit in the State budget increases the apprehension of the citizen, and in turn his demand for foreign money increases the expenditure of the State. A malady of such long standing is not now to be cured in a day. A year ago, when the League of Nations descended on Austria, reform would have been comparatively easy. The krone was stable. Industry was flourishing, and surplus Government labour could have been absorbed into private employment. To-day it is exceedingly difficult. Somehow there must be created in Austria an authority which can tax the people and dismiss workmen. Four years' experience shows that the country has not the moral resources for the task. Therefore they must be supplied from without.

What is the alternative ? The Austrian Government is making the last effort of which the country is capable. Under pressure, not to say threats, from the Socialists, the banks have agreed to find capital for a Bank of Issue, secured on the proceeds of the customs. On their side, the Government are raising railway and postal rates and tobacco prices, putting customs on a gold basis, introducing new taxation and economies, and floating an internal forced loan. These measures begin to take effect simultaneously about the middle of August. By that time the last vote of credit will be exhausted, and the Government has bound itself not to call on the new Bank for any issue of unsecured notes. Therefore it must either pay its way from day to

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day out of the proceeds of taxes and the new loan or it must call on the banks to find fresh cover for a further issue of notes. This is the Socialist panacea, and it has at least the merit of uniting the masses against the most unpopular class in the community, the large holders of foreign *valuta*. It is confiscation undisguised. There remains the desperate chance that the new revenue will come in fast enough to cover the new wages bill. But the Government have conceded the principle of automatic increases based on the index figure, and what the wages bill will be on August 15 no one can foresee. In any case the budget cannot be balanced for more than two or three months. When the choice is between confiscation and default the breakdown is not far off. Meanwhile the krone, momentarily stabilised by artificial restrictions of the exchange, will have taken another plunge downwards. The demand for foreign money will grow more and more feverish. The moment may come when all the kronen in the world will not buy £100,000, and the railways will be unable to replenish their coal. Tenacious as the vitality of a currency has been shown to be, there must come a moment when the population will refuse to take it. Already the Czech labourers on the Marchfeld and the peasants in Burgenland insist on payment in Czech and Hungarian kronen. When the flight from the krone has begun to affect the mass of the population the end is imminent. The blockade of Vienna by the provinces will begin again. When the collapse of last autumn set in, provincial and even parochial restrictions on the movement of foodstuffs sprang up at once. Already, if the indications are not wholly deceptive, the provinces are considering measures to meet the catastrophe. Styria is looking to Italy for food and protection. Tyrol may turn to Bavaria. And who will maintain order in Vienna and keep the communications of the Continent open? Will Hungary forgo the opportunity of recovering her lost *Comitats*? Will Jugo-Slavia acknowledge an Italian protectorate over Styria?

## Conclusion

If the Austrian situation is handled by the Powers before it has become not a possible but an actual menace to European peace, it need not be incapable of solution. But no solution is adequate which does not in effect suspend for a term of years the financial sovereignty of Austria. The Powers created this new State in their own interests and for their own purposes, and in so doing they made themselves responsible for its existence. Whether the mandatory is America or England, Italy or Czecho-Slovakia, the League of Nations or an International Commission, the task it will have to undertake is simple. In the first place, to give breathing space and to restore confidence, it must by means of a foreign credit stabilise the krone while the finances are being reorganised. It would take control of the Bank of Issue and of the printing press. In the second place, the Austrian Treasury must prepare a budget showing the necessary expenditure of the State in gold values. Against this should be set the yield of the customs and taxes, also in gold. Other expenditure should be scheduled as transitory. The railways should have a separate budget. When the permanent budget had been approved by the mandatory the controlling authority would be installed with a credit of, say, £10,000,000. Its function would be to see that the expenditure was at least not exceeded and the revenue was at least reached. Any savings which were effected would go to reduce the deficit on the railways. The transitory expenditure should be dealt with as follows. Unlike permanent expenditure which could be fixed within not very wide limits for a period of years, measures for disposing of transitory expenditure would have to be varied and adapted to the circumstances of the passing moment. It is, for instance, impossible to raise railway rates or dismiss surplus employees in a period of depression so quickly as when trade is good. The Treasury should, therefore, be required to submit from time to time proposals for covering or reducing the transitory expenditure and the controlling authority should make issues from its credit accordingly,

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on the principle of English grants-in-aid. Whenever it was not satisfied with the progress that was being made it would withhold its grants. The Government would then have the plain alternative of defaulting on its wages bill, raising fresh revenue, or reducing expenditure. As in the last resort reducing expenditure means reducing wages or dismissing workpeople, the temptation to throw the whole responsibility on to the control would be almost irresistible. And the mandatory must be prepared to accept it. There have been many plans for the salvation of Austria. They all include foreign credits and foreign control. It is a matter for grave consideration whether the successful plan will not have to provide for foreign occupation.

### NOTE.

At the inter-Allied Conference in London, which has just broken up, a note was presented by the Austrian Government asking the Allies to guarantee a further loan to it of £15,000,000, and declaring that otherwise it would be unable to continue its task. It was, however, generally agreed by the assembled Prime Ministers that no Government was in a position to recommend its taxpayers to incur any fresh burdens for the benefit of Austria until the situation there had been more thoroughly examined. Great Britain has already advanced over £12,500,000 without producing any appreciable improvement. France originally, we understand, granted 3½ million sterling and a further million has been voted since. Italy has granted about 300 million lire, which at the present rate of exchange would be equivalent to £3,092,783. It was agreed to leave the investigation of Austrian conditions to the League of Nations. Mr. Lloyd George, however, warned the League that it was no good making schemes based on the credits of other Governments when no such credits were obtainable.

EDITOR.



## THE MALADY OF EUROPE

**T**HE plight of Austria, which is described elsewhere in this number, would be depressing enough could it be scrutinised without reference to the rest of Europe. Unfortunately it cannot be so scrutinised. The disease from which Austria is suffering is no local disease. The whole of Europe is sickening with it ; and if Austria's case is the most advanced, it is mainly because her powers of resistance are lower than those of other nations.

It is not difficult to diagnose the disease, though its cure has so far baffled the doctors. Europe is suffering less from the direct effects of the war, cataclysmic though they have been, than from her failure to adjust herself to the changed conditions which have emerged from the war. Until the armistice, racial and national jealousies and ambitions were sunk in comradeship in the face of pressing dangers. There was an outrush of passionate belief that the ideals for which democracy was fighting would be fixed and inspired by victory into a force for the regeneration of the world. It was inevitable that reaction and disillusionment should have followed the signature of the Treaty of Versailles and its satellite agreements. The alliances of the war were bound to weaken ; the play of national ambitions, apprehensions, prejudices and misunderstandings was bound to reappear, just as it had reappeared a century ago, after the storms and stresses of the Napoleonic period. Nothing could have prevented the continuance of French distrust for Germany or the perpetuation among the so-called Succession States of Central

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Europe of the racial antipathies in which those States had been conceived. Nothing could repair overnight the appalling damage that four years of warfare had caused to the economic fabric of the Continent.

The plight of Europe has, however, been aggravated by the disintegration of what was really the foundation of the peace settlement—namely, the co-operation of the United States in the affairs of the Old World. Things would have been different had the American Senate honoured Mr. Wilson's promise to bring the United States into the League of Nations, to secure her active participation in the work of the Reparations Commission and to guarantee, in conjunction with the British Empire, the integrity of French frontiers against unprovoked attacks. Europe would have had continually in her midst the steadying influence of the strongest of post-war nations so situated as to be able to review her problems objectively and to bring to bear upon their solution the advice of a disinterested well-wisher. It is not, of course, to be pretended that it is only, or even mainly, the American boycott which has caused the failure of the Treaty of Versailles ; but in fairness to the artificers of the Treaty it seems only right to remind their critics that without Transatlantic assistance the working of the instrument has been not unlike the driving of a coach bereft of one of its wheels. Take, for instance, the position of France.

### I. FRENCH AND BRITISH POLICY CONTRASTED

**F**RANCE, as has been pointed out in previous numbers of THE ROUND TABLE, cannot be absolved from a grave share of responsibility for the present state of Europe. Her policies have hastened the economic collapse of Austria by encouraging the ruthless jealousies of the Central European States : they have been opposed to the restoration to Germany of that measure of her former prosperity which

## French and British Policy Contrasted

she must have if she is to recapture her essential place in the European system. They have been disintegrating policies rather than constructive policies. Yet, human and political nature being what it is, it is difficult to see how in the circumstances they could have been different. The armistice found France in a nervous mood. She feared, rightly or wrongly, that she had achieved victory without security. She believed that Germany had not been beaten to the ground, and that she had consequently to prepare herself to live alongside a neighbour who might not unreasonably be expected eventually to try for a war of revenge. Two alternatives were open to her. She could keep her army for ever virtually on a war footing, or she could take from her beaten foe the old defensive frontiers of the days of Napoleon, the left bank of the Rhine. She chose the second alternative. She broached it to the American and British delegates at the Peace Conference. The answer she got was to the effect that defensive frontiers had, with the other paraphernalia of the old order of international relations, been relegated to the lumber-room of history, and that henceforward, through the agency of the League of Nations, an organised civilisation would see to it that aggressive countries were outlawed before they could do real harm. When she hesitated to take on trust the efficacy of the League, she was reassured by a promise that the United States and the British Empire would sign a treaty to protect her frontiers against unprovoked aggression. She withdrew her claims to the left bank of the Rhine, content with the guarantee she had been given and with the temporary occupation of the Rhine districts. The American and British promise proved to be valueless. The United States refused to enter the League of Nations and rejected the French Frontier Treaty which President Wilson had signed. Under the terms of the Treaty the British Government was thus absolved from its obligations, and did not, rightly or wrongly, seriously consider until last winter the substitution of a

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simple Anglo-French pact. The League of Nations exists, it is true, but can hardly yet be regarded for political purposes as anything more than a receptacle for minor problems which from time to time the Governments of Europe almost contemptuously cast to it.

The war was thus hardly over before France woke up to find herself face to face with her ancient enemy, who, though temporarily impoverished and disorganised, still had a population of 60\* millions to her 39 millions, and a birthrate calculated to increase the disparity year by year. At the beginning of the revolutionary period France had the largest population of any European country save Russia. She numbered 25 million inhabitants, Great Britain 12 million, Austria 18 million, Prussia five million. To-day she has dropped to fourth place, and will soon be passed by Italy. At the time of the Franco-Prussian war Germany had but 42 million souls to France's 37 million. Usually a great war stimulates the birthrate. France does not seem to have reacted to that rule. Germany, on the other hand, has reacted to it. According to the *Journal Officiel*, the increase of the French population for the first six months of 1921 was but 72,000; while the German population during the first three months of the same year was increased by 180,000. Nor are those grimly significant figures the only consideration which contaminates in French mouths the savour of victory. Before the war Russia had been the chief bulwark of French protection against the Central Powers, and well that bulwark served the Republic in 1914. Russia now seems to French eyes to be in the other camp—a sinister, enigmatic figure, brooding behind Germany as a potential ally of immeasurable resources.

Such, roughly, were the circumstances which tempted France to return to a diplomacy which it had been hoped the war had rendered for ever obsolete. The Treaty of

\* This figure is exclusive of the population of between six and seven million which Germany has lost by the Peace settlement.

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Versailles was acclaimed by M. Clemenceau soon after its signature because it rendered possible the continuance in peace of the processes of the war. If the United States and Great Britain refused to honour those parts of the settlement which would have protected France against a vengeful Germany, then other clauses in the Treaty which bore hardly upon Germany must be exploited to the full; if the United States and Great Britain refused to practise the self-sacrificing idealism which they had preached, then they must not be too hard on France if she has returned to the practice of the bad old days of Metternich, Talleyrand or Bismarck, and exploited the racial passions and animosities which the war had stirred up. Germany must be kept down by the unrelenting application of the reparation clauses of the Treaty; she must be hemmed in and separated from Russia by a military Poland. France and Belgium must have a military alliance; the Balkan and Succession States must be organised in an anti-Teutonic sense; the balance of power must be recreated in Europe with all the weight possible in the scales of France.

While the Peace Conference was still in progress Mr. Lloyd George submitted to his colleagues in Paris a memorandum in favour of a conservative and reasonable Peace. "You may," he said, "strip Germany of her colonies, reduce her armaments to a mere police force and her navy to that of a fifth-rate Power; all the same, in the end, if she feels she has been unjustly treated in the peace of 1919, she will find means of exacting restitution from her conquerors." After the Conference we did our best to keep life in the European economic system by means of palliatives, until such time as the French should recognise the error of their ways. Hence our efforts to revive trade with Europe by means of export credits, our efforts to enter into commercial relations with Russia which accompanied our struggle for piecemeal remissions and postponements of German reparation payments. It cannot be said that our

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policy has been very successful. Nor can it be yet considered to have finally failed.

There have been some indications in recent months that French opinion, or part of it, is beginning to realise the futility of chivying round the farmyard the goose from which much-needed golden eggs are expected. There are indications that it is beginning to be impressed by the steady accumulation of proofs, first that Germany can never in any case pay anything like the indemnities postulated by the Treaty of Versailles; secondly, that she may never pay anything at all unless she is allowed by the Allies to recover her credit; thirdly, that France's own finances cannot withstand indefinitely the disappointments, embarrassments and uncertainties of the present situation. The indications are far from conclusive; but they warrant on our part a more serious effort for a comprehensive European settlement than we have yet been able to make.

### II. THE REPARATION PROBLEM

**G**ERMANY, by the Treaty of Versailles, was pledged to pay the Allies reparation for:—

1. Damage to injured persons and to surviving dependents by personal injury to or death of civilians caused by acts of war, including bombardments or other attacks on land, on sea, or from the air, and all the direct consequences thereof, and of all operations of war by the two groups of belligerents wherever arising.

2. Damage caused by Germany or her allies to civilian victims of acts of cruelty, violence or maltreatment (including injuries to life or health as a consequence of imprisonment, deportation, internment or evacuation, of exposure at sea or of being forced to labour, wherever arising, and to the surviving dependents of such victims).

3. Damage caused by Germany or her allies in their own territory or in occupied or invaded territory to civilian victims of all acts injurious to health or capacity to work, or to honour, as well as to the surviving dependents of such victims.

4. Damage caused by any kind of maltreatment of prisoners of war.

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5. As damage caused to the peoples of the Allied and Associated Powers, all pensions and compensation in the nature of pensions to naval and military victims of war (including members of the air force) whether mutilated, wounded, sick or invalided, and to the dependents of such victims, the amount due to the Allied and Associated Governments being calculated for each of them as being the capitalised cost of such pensions and compensation at the date of the coming into force of the present Treaty, on the basis of the scales in force in France at such date.

6. The cost of assistance by the Governments of the Allied and Associated Powers to prisoners of war and to their families and dependents.

7. Allowances by the Governments of the Allied and Associated Powers to the families and dependents of mobilised persons or persons serving with the forces, the amount due to them for each calendar year in which hostilities occurred being calculated for each Government on the basis of the average scale for such payments in force in France during that year.

8. Damage caused to civilians by being forced by Germany or her allies to labour without just remuneration.

9. Damage in respect of all property wherever situated belonging to any of the Allied or Associated States or their nationals, with the exception of naval and military works or materials, which has been carried off, seized or injured or destroyed by the acts of Germany or her allies on land, on sea or from the air, or damage directly in consequence of hostilities or of any operations of war.

10. Damage in the form of levies, fines and other similar exactions imposed by Germany or her allies upon the civilian population.

The sum total thus indicated was left to the Reparations Commission to fix. That, if comprehensively assessed, the sum would be far beyond the power of Germany to pay was obvious to anyone with a knowledge of economics and finance; that, moreover, the demand for the payment of pensions, which amounted to about half the total, ran counter to the understanding upon which Germany signed the armistice was contended from the first by President Wilson and by many independent commentators, including THE ROUND TABLE.\* The Americans were overruled by the French and British, the responsibility for the proposal for the inclusion of pensions resting mainly,

\* THE ROUND TABLE, No. 35, June, 1919, p. 466.

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indeed, with the latter, and arising no doubt from Mr. Lloyd George's stand in the canvass for the General Election of 1918. Though later we realised the fantastic nature of the Treaty articles, and persistently pressed for moderation, we ultimately agreed to the sum total of reparations being fixed in May, 1921, at £6,600,000,000, to be paid off over a period of thirty years in fixed and variable annuities, knowing in our hearts that such figures were far beyond the realms of possibility.

During the summer of 1921 Germany, which had made sundry preliminary payments in cash and kind since the signature of the Treaty, successfully found the sum with the payment of which she had pledged herself to inaugurate the agreement of May: the first instalment of the variable annuity due in November was covered by deliveries in kind, but at the end of the year Berlin declared its inability to make the greater part of the quarterly payments of the fixed and variable annuities due respectively in January and February of this year. The mark had meanwhile started upon its catastrophic decline. Impressed by the difficulties of the German Finance Minister, the French and British Governments took counsel together, first in Paris in December, and later at Cannes, and again during March in Paris. It was decided that Germany should be given a partial moratorium for 1922, during which period she should be called upon to pay only £36,000,000 in cash and up to £72,500,000 in kind, or less than half of what she had been called upon to pay under the arrangement of May, 1921. In return Germany was asked to put her finances in better order, to impose new taxes, to abolish certain subsidies, to reduce other expenditure, to prepare for an internal loan, to produce some scheme to prevent the export of capital, and to give the Reparations Commission fuller scope for supervision through the medium of the Committee of Guarantees. Germany protested and hesitated, but in the main she has complied with the suggestions of the Allies, and until July monthly payments



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of the sums due from her under the new arrangement had been regularly made.

The concessions by the Allies and the sincerity of the efforts of the German Government to meet its obligations have not availed to prevent a crisis of first-class gravity. In the old days 20 marks went to the pound. In May, 1921, it took 240 marks to purchase a sovereign ; in August, 300 marks ; by the end of September, 450 marks ; by the end of October, 700 marks ; by the end of November, 1,150 marks. At the beginning of June, 1922, mark exchange still stood at 1,200, but by the end of the month it had fallen to 1,600, and during the first week of July it went to 2,400, and in the first week of August to 3,400.\* The significance of the fall of the mark is as simple as it is obvious. It means that Germany has started on the Austrian slope before she has really begun to pay reparations. Under the settlement of the spring of 1921 they were, it will be remembered, fixed at £6,600,000,000. Speaking in the House of Commons on August 3, Sir Robert Horne stated that since the armistice there had been paid to the Allies by Germany £107,000,000 in cash and £308,000,000 in kind, the latter payment being made up of £160,000,000 value of ships, coal and payments in kind ; £125,000,000 value of Government properties in ceded territories, and sundry minor items. In addition to the £415,000,000 thus collected, Germany has paid £38,000,000 in settlement of the adverse balance existing against her in the matter of private debts outstanding at the beginning of the war between her nationals and those of the Allies. The total indebtedness of Germany under this head is £73,000,000. Until August of this year it was being smoothly discharged at the rate of £2,000,000 a month. In August, however, the fall of the mark forced Berlin to ask for a reduction in the instalment due. France refused to allow the reduction, and threatened "sanctions," thereby further complicating

\* As this article goes to press the mark is quoted at 4,500 to the pound.

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the already complicated situation which confronted M. Poincaré and Mr. Lloyd George at their meeting in London on August 7. The smallness of these figures compared to what the French and British publics have been led to believe may and should be obtained has encouraged the belief that Germany's difficulties, as measured by the depreciation of the mark, have been artificially exaggerated, so that her creditors might be cheated by a fraudulent bankruptcy. Undoubtedly Germany might have made a better showing, had she been possessed of a strong central Government capable of enforcing more economical administration in the Government departments and public services. Undoubtedly some of her industrialists and financiers have encouraged a development of affairs detrimental to German credit but advantageous to their own pockets; but the deterioration of Germany's finances has been due at bottom to causes inherent in the situation left by the war and aggravated by the reparation clauses of the Treaty of Versailles.

It has been due not so much to the payments which have been made as to the impossibly large payments which have got to be made. Germany is a debtor with obligations far greater than can be met. It is natural, therefore, that her credit both among her own people and abroad should vanish. Germany is a highly organised industrial country. She has to export her manufactured goods to pay for raw material and for a considerable percentage of her foodstuffs. At the beginning of the year it was estimated by her Government that the value of her imports was and was likely to remain for the time being £100,000,000 more than the value of her exports. Under the May, 1921, reparation settlement she had to pay each year £100,000,000 in cash as well as a variable sum of 26 per cent. of the value of her exports. That is to say, she would have to find from her invisible exports or from credits or other sources, in order to be able to carry on on the present basis, something over £200,000,000 each year, or in paper marks, at 4,000 to the £,

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800,000,000,000 marks, for the purchase abroad of goods or of foreign currency or other values. She has not, it is true, been paying anything like her full quota of reparations: but even so, the fact remains that she has had to print vast quantities of paper marks and sell them abroad, for what they will fetch, to satisfy her commercial and political creditors. Indeed, she has paid her reparation bill at present in the main by inducing speculators all over the world to buy marks, which are now almost worthless. The printing press, the huge speculative holdings of marks, and, above all, the fears caused by the future payments to be made, have been the causes of the great and progressive depreciation of the mark. This depreciation has, again, brought in its train what is popularly known as the "flight from the mark." Instead of investing at home, Germans with cash to spare have sent it abroad or, if they have earned it abroad, have let it lie there for themselves and their families so as to have something in hand when the crash comes, and meanwhile, no doubt, to escape taxation. Moreover, banks and industries have for their own solvency and in order to obtain credit abroad been obliged to keep large sums in foreign currencies. Such action is due less to Machiavellian designs than to the strongest human instinct—namely, that of self-preservation—which is seen to be exerting a direct and all-powerful force in Austria,\* and for the same causes. Demoralisation born of the apparently inevitable depreciation in the standard of value is at the bottom of the German financial *dégringolade*, as of the Austrian.

One hears much of the present prosperity of German industries. There is little or no unemployment in Germany: German manufacturing centres are "booming": great building schemes are being pressed forward and great works of public improvement upon roads, railways, harbours, etc., are in hand. How does all that, it is asked, tally with the statement that Germany is on her last

\* See p. 735.

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economic legs : does it not rather clinch the argument that she is shamming ? It does not clinch the argument. Germany is manufacturing busily—partly because a depreciating exchange gives a bonus to export and partly to satisfy, not only normal trade demands, but the unhealthy and inevitable instinct of a nation whose currency has lost all stability, to put its savings into anything, from gramophones to houses, rather than leave them to depreciate in banks or stockings. If that is the case, the activity of German internal trade is yet another symptom of the vast inflation and of that general distrust of the future which drives the mark abroad. The absence of unemployment is due to much the same causes as led to full employment here during the inflation boom of 1919.

Even before the last collapse of the mark it was admitted everywhere except in Paris that Germany would be unable to meet her obligations unless she was allowed a moratorium sufficient to enable her to recover her foothold and to allow the Reparation Settlement to be placed on a reasonable and practical basis. At Genoa it was only M. Poincaré's influence which prevented the question being taken up. That was in April and May. In June, a Committee of Bankers of various nationalities met in Paris at the invitation of the Reparations Commission to consider conditions in which the German Government could raise foreign loans to be applied towards payment of the capital of the Reparation debt. The Committee never reported officially because it became evident during its deliberations and those of the Reparations Commission that a reduction of the sum total of reparations was an essential preliminary to the raising of any external loan by Germany ; and France refused to consider any further scaling down of German indebtedness until and unless the United States and Great Britain reduced her indebtedness to them.

Something nevertheless had been gained. France had definitely admitted that, in certain circumstances, she would

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be willing to consider the reduction of German indemnities to a final and reasonable figure. The chief factor in her decision was her own urgent financial needs. Whereas we have steadily budgeted without reference to Reparations, content to regard anything we may get out of them as a wind-fall, France has virtually staked the eventual solvency of her Government upon the solvency of the German Government. She has been budgeting steadily on the assumption that large sums were on the point of pouring into the treasury from across the Rhine.

In 1913 France spent nearly £200,000,000, and her receipts were about the same. The estimates for 1923 demand £460,000,000 expenditure and forecast a revenue

### NOTE.

The sum of £2,400,000,000 is that which the French, whether correctly or not, estimate that they will have to spend on the devastated areas in compensation; the Reparations Commission, however, has apparently fixed £1,500,000,000 roughly as properly chargeable against Germany on these accounts.

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£2,400,000,000, for the restoration of the devastated districts and compensation of war victims, to say nothing of an annuity which to-day amounts to 4 milliards of francs or £80,000,000 for pensions, which represents if capitalised about £1,600,000,000.\* This expenditure is, of course, "recoverable" from Germany under the Treaty,

\* See M. Joseph Caillaux in the July number of the *Manchester Guardian Commercial*. Mr. Lloyd George, according to *The Times* of August 8 last, quoted M. Poincaré as giving the French reparation expenditure up to date as 80 milliards of francs—i.e., £1,600,000,000. This figure is made up as follows: devastated area 45 milliards, pensions 15 milliards, separation allowances 13 milliards, on prisoners of war 1 milliard, interest 6 milliards.

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and that is why it is the habit of French writers to speak of it as a loan to Germany. Roughly speaking, it is estimated that recoverable expenditure will, during 1923, amount to £540,000,000, which, together with the £80,000,000 deficit on the normal budget, will leave France £620,000,000 to raise by loan, if she cannot get part of it from Germany.

Such, then, in bare outline, is this formidable problem: France compelled to spend vast sums to restore the devastated areas, a task she justly regards as one that should fall on Germany; yet Germany unable *for the present* to meet this obligation even to a small extent; Germany facing a downward plunge into Austrian conditions with consequences which no one can see; and yet France *intransigent* because of the greatness of her own burden, the darkness of her own Government's financial future, the injustice, as she feels, of her own position, and her resentment and irritation that she, as conqueror, should be so helpless. Yet the facts are such that inevitably for the time being France must bear her own internal burden herself.

### III. INTER-ALLIED DEBTS AND THE AMERICAN STANDPOINT

FRANCE has pointed out that the corollary of a reduction of reparations is a reduction of the debt which she owes to us and to the United States. It is not fair, she avers, that in the interests of the world in general she should be expected to be charitable to her enemy, unless her friends are charitable to her. Reduced to its simplest terms, the status of inter-governmental indebtedness—leaving Russia out of account—is as follows. The United States is owed £2,000,000,000, of which nearly £900,000,000 is due from Great Britain, £600,000,000 from France, and the rest from the other European Allies. Great Britain is owed over £2,750,000,000, of which £585,000,000 is due

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from France and £1,400,000,000 from Germany.\* France is owed nearly £185,000,000 by her Allies and by Germany £3,450,000,000\* (52 per cent. of the total German reparations bill). Germany under the London ultimatum still owes the Allies a little over £6,000,000,000.†

If all inter-Allied debts were to be cancelled, it is clear from these figures that the United States, as the only purely creditor country, must concur. We are dealing, however, with facts and not with ideal adjustments ; and it may be said at once that the United States has at present no intention of concurring. That was made perfectly clear during the first week of August, when the British Government issued Lord Balfour's note defining to our European Allies British policy regarding inter-governmental indebtedness. The gist of the note was as follows :—

Great Britain is anxious that all inter-Allied debts should be wiped off and Germany's debt in respect of reparation reduced to reasonable limits. She herself would be prepared to remit all debts due to her, including the debt Germany owes her under the Reparation Settlement ; but she is precluded from taking this action by the fact that she is bound to pay the United States her debt of over £850,000,000, and that it would be clearly unjust to British taxpayers to remit all debts due to them while leaving them burdened with so heavy a payment to the United States. Great Britain will therefore have to request her Allies to pay to her whatever she has to pay to the United States, but she will not ask for a penny more, notwithstanding that the debts due to her are much greater than those she owes to the United States. She wishes to make no profit on the transaction, but to limit her demands to what she herself has to pay out.

In the United States Lord Balfour's note was widely regarded as an oblique suggestion that the American

\* The amount that Germany has already paid her would have to be deducted from this figure to arrive at the actual amount of the debt to-day.

† In arriving at this sum no account has been taken of transferred State territories.

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Government should lead the way in a general cancellation of inter-Allied debts. Its reception was in that country almost everywhere unfavourable. While members of the Government remained discreetly silent, sundry Senators and ex-officials and innumerable newspapers proclaimed that the United States was not ready for any cancellations. The chief arguments used were generally the same. America, it was asserted, was not insensible to the difficulties which the burden of inter-governmental debts placed upon Europe. But she felt that, before the United States considered the possibility of helping, Europe should give better proof than she has so far given that she was trying seriously to put her own house in order. The reduction of German reparations was essential to any European financial house-cleaning, yet, after much bickering between France and England, German reparations still stood at an impossible figure. Another essential was the limitation of land armaments and the balancing of budgets: yet France was still faithful to M. Briand's disappointing refusal at the Washington Conference on behalf of the strongest military nation in Europe to consider the possibility of limitation, and neither France nor any other European country seemed to her to be doing anything about the balancing of budgets. Why, so unregenerate was Europe that even the Washington Naval Treaties were still unratified, at any rate by Paris. Much of the above seems unfair to us, but again it must be pointed out that we are dealing with things as they are and not as they ought to be and that, so far as European reconstruction goes, American opinion does not differentiate between us and continental Europe. All the countries of the Old World are lumped together and are regarded rather like a lot of crabs struggling at the bottom of a bucket—an indistinct and unpleasant mass out of which wise people keep their hands without examining the comparative merits of individual crabs.

It is a position which Englishmen cannot fairly cavil



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at. It is neither more nor less than a reproduction of the traditional British attitude towards Europe. The Atlantic is still as broad as the Channel was a century ago and the American point of view about Europe is substantially the same, except in one respect, as ours about Europe after the Napoleonic wars. The difference is that the American of to-day is considerably more sentimental and rather more ignorant about the outside world than the Englishman of a hundred years ago. He is more ignorant because, whereas the British nation had through the centuries been forced to make constant military and diplomatic forays into Europe, the American nation has been taught by tradition and encouraged by circumstances to ignore Europe as a world incredibly remote from its everyday life. It must indeed always be a source of wonder to Europeans who know the American continent, not that it took America three years to come into the war but that, when she did come in, it was with such splendid unanimity and with such a grasp of the great essentials for which we were fighting. Her unanimity was due to no small extent to that sentimentalism, or rather idealism, mentioned just above. The war, it was proclaimed, was at an *impasse*: it was America's great mission to break through the *impasse* and to give to the forces of justice and liberty the momentum of victory.

After the armistice the victors were encouraged by their rulers, in words which matched the exaltation of their triumph, to look for the consummation of the millennium. Then came the Peace Conference. The discomfiture of President Wilson, as it seemed to onlookers across the Atlantic, at the hands of wily European statesmen playing upon the vanity and ignorance of the American representatives, was annotated by the stealthy growth of those feverish passions of exaggerated nationalism, revenge, and fear which now seem to possess the Continent. Sincerely if vaguely imbued as Americans are with a sense of their country's mission towards humanity, they have decided

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that, until Europe recovers her sanity, they can do nothing except give her a wide berth and anchor themselves afresh by the moorings put down by George Washington's warning against entanglements with the Old World.

During Lord Liverpool's administration England dissociated herself more and more from the affairs of Europe. It was not only that she disapproved of the undemocratic tendencies of the so-called Holy Alliance, she was immersed in her own problems of reconstruction. America for the past three years has been similarly immersed. Victory, it had been proclaimed, would not only regenerate the world, it would somehow or other settle America's social and industrial problems. Nothing of the sort has happened. War-time trade soon sagged. Industry and business were dislocated, unemployment reached formidable proportions, the farmer could not market his crops, city and country dwellers alike writhed under Federal taxation of unparalleled severity, the shipowner could not fill his ships, the railways could not make both ends meet, the housing problem was as acute as with us, on every side was a sea of discomfort and uncertainty utterly baffling to the citizen of a country which had palpably gained in wealth and importance from the war. Latterly things have improved; but if business is better, the country has, this summer, been sorely tried by labour troubles, and has still problems before it which focus attention at home. It can be argued—and many American men of affairs and learning do argue—that the remission of war debt would help the United States as much as any country, that if a policy of aloofness is to be followed, it should be logically accompanied by a severance of those ties with Europe which the very existence of the debt postulates. The argument carries scant weight outside sophisticated circles in the East. Even the American Congress, after instructing the Government to fund all war debts—that is to say, to take the first step in collecting what Europe owes—is seriously debating a tariff measure the protective features of which

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are so pronounced that, when taken in conjunction with the fact that America holds a huge proportion of the gold of the world, they would effectively prevent whatever slight chance might otherwise exist of the payment of the interest of the debts by the normal processes of international trade. Hence it is not surprising that the bulk of the American electorate should still be convinced that their taxation is destined to be lightened by remittances from Europe or that the ex-service men should be pressing to have their "bonus" paid out of the "proceeds" of European loans.

Ultimately the United States may be willing—and, indeed, in most cases will be compelled by facts—to consider the scaling down or cancellation of war debts; but she will not do so until her people feel that Europe is really trying to regenerate herself and that it would pay them to help her in the process. Even if European conditions deteriorate to such a degree as to render self-evident the bankruptcy of France and her neighbours, it is possible that America might even then prefer to hold on to their paper rather than seem, by remitting, to condone the militarism and other anti-democratic tendencies from which Europe is believed to be suffering. As for ourselves, it is clear that she intends to hold us to our debt. And after all, we are a solvent concern. The American reception of Lord Balfour's note proves, in fact, that Europe must extricate herself unaided from her difficulties.

### IV. CONCLUSION

**T**HE first requisite to any process of European recovery has been shown to be a real settlement of the reparation question; and since the two problems are inextricably intertwined, a settlement also of the question of inter-Allied indebtedness among European nations. If the reparation question is to be settled, the first essential is that the German Government's credit should be rehabili-

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tated and the mark restored to comparative stability and rescued from the fate which has overwhelmed the Austrian crown. Were the mark to follow the crown, it would mean bankruptcy for the German Government in the same sense that the Austrian Government is bankrupt. It would mean that German indemnities would have to be written off as Austrian indemnities have been written off. Were that to happen France would be saddled for good with the weight of her "recoverable" expenditure. Such is the minimum of evil which a German collapse would seem to threaten. It might well bring with it besides the collapse of the whole European economic fabric, followed by political upheavals the results of which are beyond prophecy. As long as the mark is depreciating, nothing is possible, neither a proper system of taxation nor the raising of internal or external loans, nor political or social calm in Germany, nor any payment of reparations. The fundamental necessity is consequently to rehabilitate Germany's public credit, both in Germany and abroad. That cannot but involve :—

(a) The fixing of the *total* reparation sum at a figure which is recognised by the world and accepted by Germany as within her capacity. This must mean a reduction of the total by considerably more than half, and would involve the jettisoning of pension charges and other objectionable features of the reparations schedule.

(b) The fixing of the *annual* payments on a similar basis.

(c) Drastic measures by the German Government to balance their budget and avoid further output of paper money, which is an effect and not a cause. This is not possible unless the reparation payments for the next few years are either postponed *in toto* or reduced to very small limits.

(d) Probably the raising of a loan either from Germans or foreigners for an external fund in foreign currencies to act as a currency reserve and assist in stabilising the mark.

It is true that to fix the total amount of the reparation figure or even of the annual instalments presents great

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difficulties, and has, indeed, been found hitherto impossible. Germany must pay what she can, and yet who can tell *now* what she can pay? It is fatal to fix the figure above her capacity and unjust to her creditors to fix it below. The only other alternative would be to earmark some source or sources of revenue—*e.g.*, customs—which would increase automatically with Germany's prosperity, or perhaps base oneself on a percentage of her export trade. Such possibilities must be considered, though, if an international loan is to be raised, it is certain that the German customs would be required as security for it. Whatever plan is adopted the vital point is that the burden should be recognised by the world to be within the reasonable capacity of Germany, as it is recognised that our debt to the United States should be within our capacity.

Some supervision by the Allies of the German Government's financial measures on the lines suggested by the Committee of Guarantees and agreed to by Germany would, no doubt, be advisable; but it does not seem feasible to contemplate any real "control" of German finance. It is easy to talk of a "receiver" for Germany, but a "receiver" is and must be an absolute dictator. Are we prepared to find a French or English dictator of Germany? The German Government has at best a tremendous task before it to balance its budget. We know how complicated our comparatively simple problems have been and are in that regard; what difficulties we have had, for instance, over Departmental economy with our "super-axe" committees, and so on. Supposing an inter-Allied commission of control in Germany recommended steps which the Government then declined to take. The Government might resign. Logically the Allies would then have to govern Germany themselves. Yet the last thing they ought to wish to do is to relieve the German Government and the German people of their responsibilities. It is, moreover, of vital importance that the Government of Germany should be not only well disposed,

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but strong as regards internal administration. Foreign supervision does not make for administrative strength. Probably our best "sanction" for German good behaviour would be the continued control of German territory and an undertaking to retire by stages as Germany fulfilled her obligations.

Whatever the settlement, Germany must, however, pay large indemnities. Apart from the manifest equity of the case, we could not allow her to escape by the depreciation of her exchange from her external debt—namely, Reparations—especially as her internal debt has been practically wiped out by the same cause. Otherwise her industry would be freed of all taxation when ours and that of our Allies were struggling under an immense load. Germany can be compared to a bankrupt company which has gone through a reconstruction. Her old shareholders—namely, her *rentier* class—have been wiped out, but the slate has been cleaned and, provided she can now cry halt before social disaster overtakes her, her future may be all the more prosperous because of the sacrifice of her non-producing classes on whom has been forced the whole burden of the war. The reparation obligation, when once it has been fixed at a reasonable amount, must be exacted.

There has been much controversy about the possibility of accompanying some such scheme by the issuing by Germany of an international loan large enough to yield to France a sum to meet her "recoverable" expenses. Such a loan, as has been already stated, was the object of the meeting of the Committee of Bankers in Paris in June. Unfortunately, processes such as those which are working in Germany move with a constantly accelerated impetus and what may have been feasible in June had become impossible by August. And if international loans to Germany were feasible, their amount would be limited by the exportable surplus of capital available from the lending nations. Even supposing the impossible were

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achieved, and sums aggregating anything like those which France requires were to be placed by other nations by means of loans to Germany at her disposal, their transference to France would in itself seriously affect the stability of the exchanges. In the case of England, it would be very difficult to find large sums for France and also pay interest and sinking fund upon the American debt.

France wants large sums at once for the devastated areas. We must sympathise with her difficult position. But it is necessary to face facts. Those sums which are to be spent in France on French labour and material must be found by Frenchmen *at any rate for the time being*. There is no other source. France must continue to avail herself of the wonderful saving capacity of her people. Germany, it must now be taken as axiomatic, can pay nothing, or very little, for some time to come. She must, to use the now popular phrase, have a moratorium. But there is no reason at all why, if she once finds her feet, she should not pay very large sums in the comparatively near future. There is no reason, that is to say, why the burden of a considerable part of French expenditure should not gradually be transferred to German shoulders, and every reason, in justice, why it should be. The transfer could be arranged for if, as soon as the credit of the German Government is sufficiently restored, the French investor were ready to make large loans to Germany, the proceeds of which would be spent in France. The payment of this interest and sinking fund of such loans over a series of years is, indeed, the proper way in which Germany can meet her reparation debt. In addition to such new loans, the German Government might take over from the French Government a portion of the existing French debt raised for the purpose of restoring the devastated regions. Thus the heavy burden of the French taxpayer would be lightened at the expense of the German, and the whole transaction carried out over a series of years without disturbing the stability of the exchanges.

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Such a proposal is in itself unlikely to meet at the moment with French favour. Even when the prospect of immediate relief by virtue of the proposed international loan to Germany was in the offing, France intimated that she would only consent to a further writing down of German reparations if her debts to England and to the United States were cancelled. America has shown that, whatever she may do eventually, she proposes to hold the Allies to their obligations. Her Congress has, moreover, passed a law under which the Government has no choice but to proceed to try to fund her debts and, even if President Harding and his advisors were to decide that the advice of those far-sighted Americans who favour cancellation ought to be followed, they could not follow it until Congress passed the appropriate legislation, until, that is to say, American public and uninformed opinion undergoes a radical change. Great Britain, if the Balfour note is to be taken as laying down a policy, cannot do more, according to the usually accepted reading of its somewhat elusive treatment of a complicated subject, than reduce France's indebtedness to us from her present figure of about £585,000,000 by three-quarters, or to £147,000,000. Such a concession would be unlikely to reconcile France to the plan which has just been outlined. If German reparations were reduced to £2,000,000,000, and our own claim on Germany cancelled entirely and its proceeds divided among our Allies, France could hardly expect to get more than £1,200,000,000, which is less than half of what she has been led to expect when German reparations were set at £6,600,000,000.

The Balfour policy is supported, of course, by incontestable logic. It seems unfair from our own standpoint that we should be expected to pay our creditors in full and get nothing from our debtors. It seems the more unfair in view of the weight of our taxation and the magnitude of our public debt. Mr. Lloyd George expressed his conviction to the meeting of Allied Prime Ministers on August 7 last that the war had cost this nation more than any other



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nation.\* In addition to the debt, we had, he said, raised something like £3,000,000,000 by taxation during the war. The British Empire and the United States were, he added, the only two of the Allies who raised considerable sums by taxation. Sir Robert Horne, in his speech in the House of Commons already quoted, estimated that at the present moment people in Great Britain are taxed at £17 17s. a head as compared to £9 a head in France and probably about the same in the United States, and that whereas our public debt is £7,766,000,000, or £181 per head of the population, that of France is £6,340,000,000, or £162 per head of the population, and that of the United States £5,147,000,000, or £47 per head of the population. Though comparisons as to taxation burdens are apt to be misleading, undoubtedly French taxation might be at the least more comprehensively collected. Our debt to America will involve a payment of some £50,000,000 a year to meet interest and sinking fund charges, which, as Mr. Lloyd George pointed out, means another shilling on the income tax. We shall in consequence have much less capital to lend to our own Empire or to other countries. At home the burden in the long run will fall on the poorest of our people and be translated into unemployment and bad trade and industry. But logical or not, the Balfour note was, in our opinion, a blunder. It has been taken in America as an indirect appeal *ad misericordiam*. We wish to make no such appeal. Ours is a debt which for our credit's sake alone, apart from all other considerations, must not be shirked while we have means to pay. As things are at present, we can pay; and it is the plain duty of any country, which has borrowed money, to meet its

\* A publication of the Bankers' Trust Company of New York referred to by Mr. Lloyd George gives the money cost of the war to the Allies as follows:—

	Dollars.
France (exclusive of damage to devastated areas) ..	37,588,000,000
Italy .. .. .	14,794,000,000
Great Britain .. .. .	48,944,000,000
United States .. .. .	33,456,000,000

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obligations to the utmost of its ability. We have set out the facts, because it is not only necessary that we should resolve upon our course, but also that we should be under no illusions as to what it involves. There is a further consideration to which reference must be made. Our difficulties will be enhanced by the tariff policy of the United States, which may force us to pay largely in gold, since it may prevent us selling our goods, and this will certainly do the Americans no good. And if Europe goes still further downhill, the burden may become still greater. It is even possible that the continuation of such payments might lead to a great depreciation of the sterling exchange, with consequent serious results here and disadvantages to the United States. In our opinion, therefore, we may well ask the United States Government that the debt should be funded in such a form as would enable payments to be suspended for a time if European conditions became much worse and if both Governments agreed that such suspension was in the general interest. In other words, the debt should remain a debt for the American Government. If it were distributed among private citizens, suspension would be impossible without ruining our credit. We mean to pay and to go on paying. But circumstances might conceivably arise when it would be clearly injurious to both parties to continue, unless a breathing space for recovery could be given. Such a contingency may be remote, but it is not unfair both to this country and to America to provide against it. Existing German conditions show the effects of a country undertaking an external financial obligation which is too rigid as to the time of its fulfilment.

The policy of the Balfour note was also, in our opinion, mistaken in the line it takes towards Allied indebtedness. Cancellation of that indebtedness would not render the position of the taxpayer worse than it is. We are not collecting a penny of interest upon it and nobody expects that we shall collect anything for years to come.

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It is true that if Germany can pay France large sums there is no reason to suppose that in time France and Italy could not pay us something. But, if we could arrest the disintegration of Europe by remitting what France and our other Allies owe us, we should, through the consequent improvement of trade, garner immediate benefits far more valuable to the taxpayer and the worker than doubtful expectations for the years to come.

If, therefore, the French Government would agree to a settlement which we regarded as reasonable, in return for a complete cancellation of their debt to us, leaving their debt to America for future consideration, we believe that from every point of view it would be wise for this country to accept.

British public opinion would expect from France, if her debt to us is to be remitted, explicit guarantees that henceforward from Constantinople westward she would work with us for the political as well as the economic stability of Europe.

But it is doubtful if remitting our debt would bring a satisfactory settlement. There have been signs that in France the Balfour note has strengthened the hands of those who would break loose from the restraining influence of British co-operation and would use the occasion of Germany's default recklessly to beat her down, keep her in subjection, and perhaps dismember her. The argument of that party is that France, being comparatively self-supporting economically, could weather the whirlwind which such a policy might well raise throughout Europe. If that party can influence French policy even for a few months from now, it may be too late to prevent the deeps of Europe from breaking up. Moreover, as already stated, even if we remit France's debt to us, her budget position remains unaltered. She has not yet faced the fact that even if moderate international loans are possible—and they depend on Germany being put on the path to recovery—

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the burden of her devastated areas must for the time being inevitably rest on her own shoulders. Her public opinion still deludes itself into the belief that somehow or other or in some desperate way, if not by financial methods then by sanctions, Germany *must* be made to relieve her of her burdens *now*. But that cannot be, and until a French Government can speak the truth on this matter and still retain power no settlement will be possible. We stand, then, upon the brink of the unknown. None can tell the result of the complete collapse of German credit, for such a catastrophe has never yet overtaken a great and highly organised industrial state. We have only Russia and Austria to guide us and in neither case is there valid ground for comparison. It may be that Germany's industrial organism will adjust itself sufficiently quickly to avert social chaos. It may be that the complete collapse of the mark will produce great disorder, but whether out of that disorder will spring Bolshevism or a monarchist reaction only a fool would care to forecast. Nor can it be said what reactions would be caused in the organism of Germany's neighbours.

It can only be said that the risks facing Europe on the downward path are very great. We are deeply involved. For we cannot, as some in the Press and elsewhere argue, "withdraw" from Europe until she has been purged of her distempers. Great Britain, the argument goes, must cut loose from the Continent, as she did a century ago. She must concentrate upon the task of recouping herself for the trade such a course would cost her by pushing her wares in the markets of the extra-European world. The extra-European world in turn depends largely on the 300,000,000 customers of Europe. India cannot buy our goods because Central Europe will not buy hers: West Africa is in the same way. And so the argument could be repeated through every country. In any case the policy does not appear to be one which could appeal to the British sense of moral responsibility. Europe may have

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gone far down the slippery slope, but, black as the situation is, there is still room to hope that she can be saved, if only we step forward boldly with some definite plan to stay her decline ; and duty, tradition and expediency all demand that we should make the effort.

### EDITOR'S NOTE.

The above article was written during the session of the recent inter-Allied Conference in London. That Conference has, as we write, broken down. That is a fact much to be regretted, but that the British Government stood firm on their ground is by no means to be regretted. If Europe is to be saved from far worse disaster, that stand had to be made. Compromise after compromise, all destined to failure, had brought Europe to a state of affairs constantly more critical. There was no hope at all, only the contrary, in M. Poincaré's proposals. The policy of granting Germany a moratorium and simultaneously extorting from her more money by additional sanctions is a ruinous and suicidal one. But, since this is so, it becomes essential that England should state clearly what is her policy, so that France and the whole world, too, may understand. The time has long gone by for half-measures.

France's problem, the problem which makes her so intransigent, is that of her budget. She is determined that Germany shall help her to solve it. But Germany has a budgetary and exchange problem still more acute. For a certain period she can pay no reparation in cash and, as measured by France's urgent needs, for some time to come only very moderate amounts.

If Germany cannot pay now, what can we and the rest of the world do ? Can we advance the money for Germany's account to France in anticipation of Germany's repaying

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us later ? At best only in moderate sums, quite insufficient to balance France's budget. International loans might grease the wheels, but even they are out of the question, until Germany's credit is rehabilitated. And, even if large sums could be raised, to transfer them to France would ruin her by increasing the value of the franc and making the burden of her internal debt intolerable. Nor shall we help to balance France's budget by cancelling her war-debts to us. In her budget she makes no provision to pay us even interest. No doubt it would be an immense relief to her that her war-indebtedness to her Allies should be remitted, but her immediate problem remains unaffected one way or the other.

Thus we must repeat, with the greatest sympathy towards France, that she herself alone can *for the time being* bear her own burdens. In so doing she may, perhaps, be forced to watch the depreciation of the franc, but there need, in our view, be no question of her bankruptcy. In time to come, as Germany recovers, a large part of the French debt, as already stated, might be transferred to German shoulders.

In these circumstances England's attitude towards France should, in our view, be one of great generosity. We should abandon the policy of the Balfour note. *In return for a settlement of the Reparation question satisfactory to us*, we should cancel the French debt and, in our view, other European debts too ; and we should be ready to give up our share of reparations from Germany.\* We cannot do more. We shall then be left with the heavy burden of the American debt. If the Reparation problem is settled, our prosperity would recover and we should be able to pay it. If it is not settled, that burden will still remain and be all the greater.

The path, then, before our statesmen is clear. They may fail, whatever they do, in a crisis of unexampled

\* We refer, of course, only to Great Britain's share and not to that of the Dominions.

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difficulty. But what is right, as well as expedient, is that we should make every sacrifice that lies in our power to render a solution possible. If still we fail, we shall have nothing with which to reproach ourselves. But, if Germany and Central Europe are to escape disaster, a settlement must come quickly.

## IRELAND

**J**UNE 28, 1922, is not a date likely to be appropriated to an Irish anniversary with celebrations such as honour July 4 in the United States and July 14 in France. The victory of the Four Courts and the necessity that led to the armed suppression of Irishmen by Irishmen and the battering down of a famous national monument are not of a kind to be commemorated. For all that, it may rank as the comparable date in Irish political history. It is the day on which the democratic Irish State can be said to have been founded. The moment in which the national forces opened fire upon Rory O'Connor and his garrison gave the world its first definite and practical assurance that the majority principle would operate in Ireland as elsewhere in the Western democracies and that the most respectable of motives which an Irishman could plead to his countrymen would not avail to extenuate anarchy.

It was a long and tortuous path by which the Irish Government travelled to its decision to enforce the Treaty and its own authority as against the minority that declined to recognise either. The earlier stages of its journey were surveyed in the last number of this review and need not be described again here. Mr. Collins and his fellow-Ministers had, from the beginning, to consider a balance of expediency as between the confusion which a Government lacking an express mandate must fear if it attempted strong action and the many advantages which delay conferred upon the dissident Republicans. It was a problem



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of sufficient difficulty. But it was complicated by Mr. Collins's personal hope that the issue between Treaty and Republic could be indefinitely evaded and that the Republicans would accept his own presentment of the settlement as an instalment of their programme. In the end this complication was removed—at least, temporarily—by the obstinacy and arrogance of the Republicans and by the practical sense of the Irish electorate. The constituencies knew what they wanted and voted for it, when the chance came, in such a way as left one course only open to the Government. Whatever may be said, upon other counts, of the Irish Cabinet's hesitating and sometimes equivocal attitude towards the responsibilities they accepted in the Treaty, they could always plead the alarming nature of their difficulties. They are now entitled to call the evidence of events as well.

### I. THE PURSUIT OF "UNITY"

WHEN May opened Ireland was a country groping through darkness towards a catastrophe. To all appearances the supporters of the Treaty had gained nothing by consenting to delay the elections. The Republicans still declined to be bound by the popular decision or even to allow it to be taken. The Free Staters had offered what seemed to be the maximum of compromise and barely stopped short of surrendering the Treaty itself. Unofficial mediation of various kinds between the two parties failed as completely. Mr. Griffith, whose growing impatience with his colleagues' diplomacy was hardly concealed, announced in the firmest of language the Government's intention of holding the elections and fixed the date—June 16. But effective protection for the electors neither Mr. Griffith nor anyone else could command. The Government's forces were limited, and untried as to competence and loyalty. The country was manifestly dis-

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organised and the gunmen enjoyed all the advantage of the confusion they had created. The least to be expected was bloodshed in many places and the most to be hoped for a partial and therefore almost valueless registration of the majority opinion.

In this extremity Mr. Collins had not abandoned the search for unity in which he had persevered since the earliest days of the Treaty. Other considerations, no doubt, weighed with him besides his reluctance to launch the country upon an election that threatened to break more heads than it counted. A little later, on May 23, he had to go before the Ard-Fheis, or National Convention, of Sinn Fein. There he would have to face for the second time the danger—only averted in February by the compromise delaying the elections—of defeat and possibly expulsion from his own party. Nor was it certain that he could rely upon a majority in the Dail for the policy of consulting the country and braving disorder without more ado.

So far negotiations from time to time had been carried on with the political leaders of Republicanism. The new move for a settlement came from the Irish Republican Army itself. An unofficial committee, on which Mr. Collins and Mr. Mulcahy sat, not as Ministers, but as brother-officers with other members of the I.R.A., sought means to heal the split in their ranks. The proposals were carried to the Dail, a committee of which took up the discussion. When breakdown seemed inevitable and Mr. Collins had indeed declared his efforts for compromise at an end, a sudden turn brought the leaders again into touch. On Saturday afternoon, May 20, an agreement was laid before the Dail.

We are agreed, declared the signatories :—

1. That a National Coalition Panel for this third Dail, representing both parties in the Dail and in the Sinn Fein Organisation, be sent forward on the ground that the National position requires the entrusting of the Government of the country into the joint hands of those who have been the strength of the National situation during the last few years, without prejudice to their present respective positions.

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2. That this Coalition Panel be sent forward as from the Sinn Fein Organisation, the number for each party being their present strength in the Dail.

3. That the candidates be nominated through each of the existing Party Executives.

4. That every and any interest is free to go up and contest the election equally with the National—Sinn Fein—Panel.

5. That constituencies where an election is not held shall continue to be represented by their present deputies.

6. That after the election the Executive shall consist of the President (elected as formerly), the Minister of Defence (representing the army), and nine other Ministers—five from the majority party and four from the minority—each party to choose its own nominees. The allocation will be in the hands of the President.

7. That in the event of the Coalition Government finding it necessary to dissolve, a General Election will be held as soon as possible on Adult Suffrage.

As the news sped over Ireland during the week-end it was received with acclamation. Irish opinion as a whole cared less for the form than for the fact of the agreement. The miracle had been worked. Civil war had been averted. "Unity" had been restored. The miracle was gratefully accepted and there was little disposition to suspect the conjuring trick.

Great Britain proceeded to a more practical examination of the document. The result was disappointment and dismay and the fall of the Treaty's stock to the lowest point it had yet touched. The first disclosure was that, within the terms of the new pact, there was to be no election upon the Treaty as such. That had been postponed again. Mr. Griffith and Mr. Collins, vowing they would ne'er consent, had consented to an election which on the face of it would not record the Irish people's supreme and binding verdict upon the Treaty. An ingenious distribution of the Sinn Fein coupon was designed to secure the return of a new Dail, constituted exactly as the old one, and with as little relation to the enormous change of opinion in the constituencies. After having shared out the suffrages of the Irish people, the two parties in the Coalition were to

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share out the offices of State in the same proportion. Four Republicans, recognising not even the sovereignty of the Irish people and much less that of the British Crown, were to sit in a Cabinet charged with the execution of the Treaty which they were prepared to resist in arms. It was no surprise to learn from Mr. Churchill in the House of Commons on the Monday following the signature of the pact that the British Government, "without coming to any final conclusion," recognised the "serious issues" it raised and had already invited its co-signatories to the Treaty to confer with them in London.

### II. THE REPUBLICANS AND ULSTER

THE effect of such an agreement as this upon opinion and policy in the Six Counties was bound to be decisive. Ulster and the Republic are mutually exclusive. The nearer the Provisional Government drew to the Republicans the further it must draw from the North. So much would have been true at any time. Now every consequence of the compromise was aggravated by the circumstances of the moment. Republicanism, represented in the person of Mr. Rory O'Connor, had for some time been waging active war upon Ulster. From the security of his headquarters in the Dublin Four Courts he had directed the Ulster boycott, reimposed in defiance of the Southern Government. As chief of the I.R.A. Executive, which had disowned the Southern Government, he was also responsible for the "operations" of the I.R.A. in Belfast and the Six Counties. It would be impossible for anyone not blind to facts to fasten upon one creed or party in Belfast the monopoly of murder and outrage. It is equally impossible to reject as the main cause of their continuance at this time the provocation ordered and organised by Rory O'Connor.

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On the very day in which the Provisional Government was engaged in coming to terms with Republicanism, Republicans in the Counties Down and Antrim were occupied with a simultaneous and carefully planned rising on an ambitious scale. Over a wide area communications were raided, telegraph wires cut, roads blocked, bridges demolished and railways torn up. A number of attacks were delivered on police barracks. Loyalist homes, including some historic houses, such as Shanes Castle, were burnt. In the now inevitable sequence these events were followed by two days of murder and incendiarism in Belfast. On Monday Mr. Twaddell, a prominent Belfast citizen and a member of the Northern Parliament, was shot dead in the street.

Sir James Craig's Government replied to the open challenge to its authority with prompt and comprehensive action. A well-matured plan was put in operation early on Tuesday morning. Throughout the Six Counties the constabulary arrested simultaneously for internment men marked down as active supporters of the Sinn Fein movement. The arrests numbered eventually some four hundred. The prisoners were brought to Belfast and later transferred to a special detention ship in the harbour. It was a drastic measure, but the emergency was undeniable. The Government was confronted with the most formidable attempt yet made to break down its authority. To have remained inactive, even if the opinion of its supporters had tolerated such a course, would have been to invite a regular campaign. Nor could Sir James Craig address himself any longer to the responsible Government in the South which had just entered into coalition with the party, if not with the persons, with whom these outrages originated. Under any other conditions the indefinite detention of these internees without charge or trial could not be justified for a moment, and it will not be defensible for one moment after the danger is past. In the same day the Home Secretary of the Northern Government proclaimed as

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illegal, the I.R.A., the Irish Republican Brotherhood, the Irish Volunteers, and the women's and boy scouts' organisations attached to Sinn Fein. In the Northern Parliament Sir James Craig made a full statement of his policy, the kernel of which he expressed in a few sentences.

This pact, he said, changed the whole situation, for although prepared to treat with the Southern representatives of the Free Staters who were within the ambit of the British Empire, he was not prepared to treat with a composite Government, one half of which practically was republican in sentiment, and the other half was represented by one who said he did not go back upon the sentiment he had expressed that the treaty was a step towards a Republic.

*The immediate consequence of the pact which he and his colleagues announced that afternoon was that they would not have any Boundary Commission, under any circumstances whatever.*

The time had now passed, he added, to come to mutual accommodation. Such were the first-fruits of the pact in Ulster and such the most striking achievement of Rory of the Four Courts. The whole Treaty policy, the whole policy of reaching unity through partition never seemed nearer breakdown than now. The state of the relations between North and South was hardly distinguishable from that of war. In the South there was nothing yet to suggest that the people would not be baulked of their wish for the Treaty.

The Ard-Fheis met on May 23 and ratified the pact. There was nothing remarkable in the meeting except a passage in Mr. Collins's speech recommending the adoption.

They had made, Mr. Collins claimed, an agreement which they thought would bring stable conditions to the country, and if those stable conditions were not more valuable than any other conditions they must then face what those stable conditions would enable them to face.

"That much is quite clear," he declared. But the awkwardness of the style was suited to the uneasiness of the position. The hint was followed by another, that the

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North could not ignore the united voice of Ireland. Ulster accepted them as Mr. Collins's repudiation of the Treaty. The quotation illustrates both the situation at the time and a rather dangerous facility for riding two horses simultaneously. But, like Sir James Craig's speech quoted above, it needs to be interpreted in its place in the context of events.

At the end of May the conference of Treaty signatories took place in London. The foundations of the Treaty were still further shaken when it became known that the draft Constitution which Mr. Griffith had brought over with him had a strong Republican flavour and was not even formally compatible with the Treaty. The independent I.R.A. added its quota of mischief by seizing Belleek and Pettigo, two towns, one within and the other astride the Ulster border on the Donegal side, in the troubled corner of Fermanagh that juts deep into Free State territory. This was an affront not only to Ulster but to the British Government, with whom responsibility for the Ulster frontier still rests. The Provisional Government repudiated the invasion and the British Government took prompt steps. Strong military detachments had no difficulty in expelling the invaders. Both towns were occupied without bloodshed, together with some portions of Free State territory at Pettigo. Mr. Collins seized the technical justification thus presented to him for a protest and accompanied it with a demand for an inquiry. It was a move which, coming after his repudiation, was only intelligible in the light of exigencies in Dublin created for him by the pact.

For the present the British Government contented itself with taking the military action forced upon it by the Republican descent upon Ulster territory. Nineteen battalions of British troops were now stationed in the Six Counties. Plans were laid for the military occupation, in case of necessity, of a neutral zone traced along, though not everywhere within, the Ulster border with the object of

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removing the Northern and Southern jurisdictions from contact. The emergency which should call for the operation of this plan has happily not arisen and is less and less likely to arise. Since the guiding principle of British policy in Ireland is to leave Irishmen of the North and South to find for themselves, under the compulsion of events, the means of order, mutual tolerance and, if possible, co-operation, the suspension of contact between them would to that extent have been a suspension of the policy. As the strategist of the Four Courts well knew, a state of things serious enough to force the British Government's hand even this far would have done grave and probably fatal injury to the Treaty.

### III. THE PACT, THE CONSTITUTION AND THE TREATY

**E**VEN as things were the debating case against the Treaty had gathered fresh strength. Its English and Ulster opponents could marshal a very damaging series of facts. Instances of crime and disorder could be selected at random from almost everywhere in Southern Ireland, instances of persecution and outrages upon loyalists, gross and petty. There was, as a fact, no single governing authority. The mutinous army had a power that paralysed the working of the officially recognised Government. It was pursuing its independent "war" in and against Ulster, inflaming passions by every means open to it, and answering and provoking the reprisals which disfigured Belfast. The party supporting and the party opposing the Treaty had entered together into a compact to "trick" the Irish electorate. Mr. Collins, the Treaty's protagonist, had publicly contemplated its abandonment, and, to crown all, the constitution not of a Dominion but of a Republic had been presented for the acceptance of Downing Street.

A weighty indictment. The only possible reply to it was that the Treaty had not as yet been actually violated,



The Pact, the Constitution and the Treaty that there was hope for it while it was still unfringed, and that the British Government in any case had all to gain and nothing to risk in standing by its undertaking until or unless its co-signatories should default. Substantially this was the reply of Mr. Churchill. As Colonial Secretary, he laid the Irish position before the House of Commons at its adjournment for the Whitsuntide recess. He explained and accepted the motives of the Provisional Government in making the pact. He pointed out that the Treaty was broken if, after the election, the Republican members of the Cabinet refused to take the oath prescribed, and appealed for a continuance on the British side of scrupulous, meticulous and "even credulous good faith."

This statement cleared the air somewhat and the conference of British and Irish signatories in London turned to examine the draft Constitution. The Provisional Government had not only promised to submit it to the London Cabinet before publication but, by the agreement concluded with the Republicans in February, was under obligation to present it to the Irish electorate before the voting. A fortnight therefore remained in which to agree upon the draft.

The terms of the original document were confidential. Nothing was therefore known publicly of the manner in which it sought within the clauses of the Treaty to erect a Republican structure. Whatever the form of the draft, however, it clearly raised the question whether this was not a revelation of the spirit in which the Irish Government proposed to work the Treaty. For the Die-hard it was, of course, just a sample of Irish knavery. On the other hand, it was remarkable that the Irish representatives appeared to raise no difficulties in the way of amending their draft to conform to the British reading of the Treaty. Their readiness to conform leaves little room for a charge of deliberate bad faith. More probably we have here another apt, if disconcerting, illustration of the difference between English and Irish mentality which has lain at the root of the ancient

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quarrel. The Irish mind moves on altogether another plane of dialectical values. The puzzled and pragmatic Englishman has the baffling sense of being matched with a seeming rationality which perpetually eludes him. When he crosses the St. George's Channel he passes, like Alice, through a looking-glass. At the times when the Irishman fancies himself most logical, the Englishman finds him most evasive. The inconsistencies between the draft and the Treaty are more easily explicable as a characteristic piece of Irish thinking than as conscious and common insincerity.

Agreement upon the draft, so far as concerned the points at issue between the English and Irish signatories, was reached in the same week in which the elections were to be held. So far as concerns these points, the agreed document must be taken to represent the extremity of British concession. It was published on the morning of the elections, June 16, in time to avoid a breach of the Ard-Fheis pact, if no more. Republicans complained of this as sharp practice. The average elector did not complain at all. Nothing is more certain than that his interest in the Constitution at this stage was as feeble as his interest in the elections and the peace issue was keen.

The Constitution is still a draft. It has still to be worked on and may be largely amended by the newly elected Provisional Parliament. It has then to be ratified by the Imperial Parliament. It is not the time at present to attempt a critical analysis of its provisions, nor yet of possible reactions upon the constitution of the Commonwealth from this practical definition of Dominion status. Its character is uncompromisingly democratic and it embodies a number of up-to-date devices for effective popular control. Like every written constitution it reflects the conditions in which it was born. There is a touch of self-consciousness in its scrupulous divergencies from the Imperial pattern. The nomenclature and other features

## The Pact, the Constitution and the Treaty

lay an insistence upon the distinctive character of Irish autonomy which will be understood.

A selection of its more important and more interesting provisions may be convenient here.

1. The Irish State is a co-equal member of the Community of Nations forming the British Commonwealth of Nations.

2. The national language is Irish. English is equally recognised as an official language.

3. No title of honour for services to the Irish Free State may be conferred upon a Free State citizen except with the approval or upon the advice of the Executive Council of State.

4. The Legislature consists of the King, a Chamber of Deputies, and a Senate.

5. Citizens of both sexes aged 21 or more and 30 or more elect the Chamber and the Senate respectively.

6. Members of the Parliament take the oath prescribed in the Treaty.

7. The Senate. Normal term of office to be 12 years. One-quarter to be elected every three years by the country, voting as one constituency, under Proportional Representation. A panel of candidates (three times the number required for membership) is to be elected as to two-thirds by the Chamber and as to one-third by the Senate, voting under P.R. In addition retiring Senators are eligible. Universities elect two members each. Total number, exclusive of University members, to be 56.

8. The King's representative may withhold his assent from a Bill, but only in accordance with the law, practice and constitutional usage governing similar action in Canada.

9. Parliament may establish Functional or Vocational Councils representing branches of the social and economic life of the Nation.

10. The Army is expressly subjected to Parliament.

11. A referendum upon a Bill may be secured by resolution of three-fifths of the Senate or by a petition from one-twentieth of the electors.

12. Parliament may, and under certain conditions must, provide for initiation by the people of proposals for laws or constitutional amendments. Initiation to require a petition by 50,000 voters.

13. The Free State is not to be committed to war without the consent of Parliament.

14. The executive authority is vested in the King and is exercisable by his Representative in accordance with the constitutional usage of Canada.

15. There is to be an Executive Council of not more than twelve Ministers, responsible to the Chamber. Of these, four (under

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certain conditions, seven) including the President and Vice-President are to be members of the Chamber. Not more than eight are to be selected from citizens eligible for election to the Chamber and may not be or remain members of the Chamber. Ministers who are not members are to be nominated by a committee impartially representative of the Chamber. They are to be representative of the Free State at large rather than of groups or parties. They may be nominated by functional or vocational councils if and when set up.

Responsibility for external policy rests solely with the four Ministers who are members of the Chamber. Otherwise the Council is to act as a collective authority.

16. The Representative of the Crown (Governor-General of the Irish Free State) is to be appointed in like manner as in Canada and in accordance with the practice there observed. His salary is charged on the public funds of the Free State.

17. A Supreme Court is provided for with power to decide upon the validity of any law having regard to the provisions of the Constitution. Nothing in the Constitution is to impair the right of any person to petition the King for leave to appeal from the Supreme Court to the King in Council or the King's right to grant such leave.

18. The Constitution is to be passed by the Irish and British Parliaments not later than December 6, 1922.\*

19. The present Parliament is to continue for not more than one year after the passing of the Constitution.

### IV. THE ELECTIONS

**A**FTER the discrepancies between the draft Constitution and the Treaty had been adjusted, the sole immediate interest lay in the elections themselves. The pact was not many hours old before it had become evident that there was likely to be at least a partial miscarriage of the plan, on the faith of which the Republicans had permitted them to be held. Clause 4 of the pact had laid it down "that every and any interest is free to go up and contest the election equally with the National (Sinn Fein) Panel." Mr. Collins may or may not have appreciated

\* In accordance with clause 17 of the Treaty, which limits the existence of the *Provisional Government* to "the expiration of twelve months from the date hereof"—*i.e.*, from December 6, 1921. Non-compliance with this clause, unless by agreement, would, of course, abrogate the Treaty.

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the significance of this clause at the time when he put his name to the document. Generally its effect had been discounted. It was believed that the power and prestige of reunited Sinn Fein would render the provision a dead letter at, if not before, the polls. That was certainly the belief of the Republican signatories. They were prepared for a formal observance of the democratic proprieties. Their judgment misled them remarkably as to its consequences. They failed again, as they have failed throughout, to understand that a change had taken place in Ireland and that Sinn Fein, like the Republic, no longer stood where it stood in 1919. Their contempt for "public opinion," matured since Easter week, 1916, and manifest in the pact itself, concealed from them the strength of its present revival. They did not, or would not, acknowledge to what degree of exasperation their tactics had pushed the people, eager now for peace with honour and utterly averse from the final immolation demanded for the Republican idol. Labour had perhaps educated them to expect that it would take some part in the elections. It was something new in their experience to find that a variety of independents with no organisation behind them and the representatives of unwarlike bodies, such as the Farmers' Union and the Ratepayers' Association, would have the hardihood to persist in matching themselves against the "national" candidates.

The first sign of disillusionment was a Sinn Fein appeal to these disturbers of unity to desist from their intention of making nonsense of the pact by taking its fourth clause seriously. Mr. de Valera went down to Clare—a county where even his own seat was none too secure—and argued the opposition candidates out of a contest. Force was used in one or two instances to prevail upon other candidates to stand down. Under the shadow of intimidation five more constituencies in the West went uncontested, or in other words were forcibly disfranchised. In the seventh, Mayo, North and West, the nominations were interfered with

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and a contest prevented. In the remaining 21 constituencies candidates stood their ground or were not molested.

On the morning of June 16, thirty-four members had thus been elected unopposed to the new Parliament, seventeen for the Treaty and seventeen against it. The rest lay in the lap of the electors. After six months of obstruction by sophists and gunmen their opportunity had come to them almost by a chance. It came in a form which required an intelligent use of their votes. Their leaders under duress had renounced leadership. They offered a panel of coupon candidates and the *status quo*. The initiative was passed back to the people and, with the help of the independent candidates, the people took it. The artifice of the pact was brushed aside. The electors chose their issue for themselves and turned the election from the designed formality into a decisive verdict on the Treaty. They chose a panel of their own by voting impartially for candidates pledged to uphold the Treaty and the right of the majority to govern. Only the disfranchisement of the Western constituencies and the mercy which Proportional Representation shows to minorities saved the anti-Treaty party from practical extinction in the new Parliament.

The polling took place without serious incident. The count lasted well into the following week. When it was complete the collapse of the Republicans was evident. Of the ninety contested seats, nineteen only fell to the opponents of the Treaty. The Republicans' only legitimate argument was swept away by their defeat. No defects in the Parliamentary Register could explain it. In only one constituency did a Republican head the poll. That was in East Mayo and Sligo, where the Treaty candidates, after the poll, lodged a complaint of gross intimidation and personation. Elsewhere the Republicans suffered almost in proportion to the virulence with which they had attacked the Treaty and the vehemence with which they had resisted a consultation of the people. Mr. Erskine Childers, the "brain" of Republicanism and chief fomenter of

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mutiny, was at the bottom of his poll. Mr. Liam Mellows and Mr. Seamus Robinson, prominent champions and contrivers of the military dictatorship, were rejected in Galway and Tipperary, the "ferocious" Madame Markievicz in Dublin. Miss MacSwiney scraped home in Cork. In Dublin Mr. Darrell Figgis, standing as an Independent, reaped the benefit of a personal assault, made on him before the poll, in a huge vote and his return at the head of the list for Dublin County.

The state of parties in the new Parliament showed five groups :

Sinn Fein Pro-Treaty ..	58	Sinn Fein Anti-Treaty ..	36
Labour .. .. .	17		
Farmers .. .. .	7		
Independents .. .. .	10		
	—		—
For Treaty (21 unopposed)	92	Against (17 unopposed) ..	36
	—		—

The first preference votes in the contested areas, divided on these lines, amount in round figures to 480,000 for the Treaty and 138,000 against. Labour accepts the settlement, or at least the popular verdict on the settlement, and is here included on the Treaty side. But the Labour group, including an extremist element, cannot therefore be counted in support of the Government. It will take its own line and, like the British Labour party, will tend to make the requirements of an independent *rôle* a chief consideration in the framing of policy. That characteristic of Labour consciousness has already made for embarrassment in the critical times which Irish government is passing through. When Ireland's parliamentary life begins Labour will exercise upon it all and more than its expected influence. By returning seventeen new members out of eighteen candidates to Parliament the party can claim the most remarkable result of the elections.

In Southern Ireland the elections were followed by a lull. It was a week before the election returns were complete.

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The various parties had time to take stock of the position. The immediate future of the pact was by no means clear, but obviously the electors had dealt it a death-blow. There were murmurings of betrayal among Republicans. They complained of a speech which Mr. Collins had made in Cork. Speaking there as a candidate in his own constituency, unhampered, as he said, by the presence of Coalitionists, he recommended the citizens of Cork "to vote for the men they thought best of." The Republicans were unable to reconcile this excellent but too impartial advice with the strict fulfilment of the pact.

### V. THE REPUBLICAN CHALLENGE

**I**N Dublin the commander of the Four Courts continued his operations unaffected by anything that had taken place. Mr. O'Connor displayed an active interest in the elections only when he invaded the National University on the evening of the poll to seize and remove the ballot papers with the object of discovering whether the Sinn Fein voter had observed the pact and "voted the panel." Fortunately the count had already taken place and the election (of three Pro-Treaty members and one Anti-Treaty) stood. The playboy temperament making free with the institution of the ballot in Dublin was one thing. In Belfast, while the vein of egoism and irresponsible levity was the same, it was making free with life. The "campaign of defence" in Ulster was turning more and more conspicuously to the injury of the defended. In effect O'Connor's anti-partitionist zeal, besides scoring the line of division ever more deeply across Ireland, was indulged at the cost of the Northern Catholics. The Irregular I.R.A. in Ulster had now borrowed a weapon which Belfast Loyalists had used against Catholic public-houses and Catholic homes, and were engaged in intensive incendiarism, a method which secured the maximum of destruction with the



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minimum of risk to the incendiary. The exasperation of the Northern majority, passing beyond the usual sequel of retaliation, was on the point of taking shape in a definite, though unofficial, plan for the expulsion of Catholics from the Six Counties.

In the early morning of the day after the Southern elections an armed gang descended upon a hamlet in the Newry district and in the most cold-bloodedly brutal fashion murdered six Protestants and wounded others, after burning their houses. It was, what every act in the long exchange of outrages had become, an act of reprisal. But it was Rory O'Connor in Dublin who whipped the spinning top of devilry. The Government in the South had now, what it lacked before, a mandate from the people to assert its authority. Unless it took immediate steps to put down O'Connor's campaign, it would be taking responsibility for his actions. Inaction on the part of the Southern authorities would throw away the Treaty which its members had just been re-elected to execute. A Treaty Government, tolerating outrages under Southern direction upon Ulster territory, was an impossibility. Protestant feeling in the North was already near an explosion.

The atmosphere was at this pitch of tension when, in the afternoon of June 22, Field-Marshal Sir Henry Wilson was shot dead on the steps of his house in a quiet London street by two men who had waited for his arrival. The first thing known of them was that they were Irishmen. Of him it was known to all that he was a great successor in the line of the Empire's great Irish soldiers, an Ulsterman by birth, a prominent champion of the Ulster cause, a life-long Unionist and an unrelenting enemy to separatism and Sinn Fein. The first news of this futile and, as the facts showed, well-meditated crime bore on its face its kinship with the thought and practice of the Irish Republican. Every later detail established the connection in substance. Though the two men were Irish by descent only, though both were veterans of the European war and one had lost

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his leg on service, proof was later given that they were under influence from Ireland and that one of the men had recently returned from an Irish visit. There was no evidence that the order for the crime issued from the Four Courts. No evidence was needed to show that the main source of its inspiration was there and there the example—continuing the unholy gospel and prolonging the degeneracy of the Sinn Fein “war”—from which they had learnt the ruinous dogma that murder is not murder if the motive be political.

Great Britain's resolution to defend herself at all costs against this insidious and contagious cancer of the mind hardly needed expression. Spontaneous horror of assassination could not have been more swiftly and eloquently uttered than by the action of the unarmed and random London crowd which, undeterred by bullets, pursued and overpowered the murderers. In Ireland Mr. de Valera's comment on the murder amounted to a condonation. Mr. O'Connor contented himself with saying that it had not been committed under his orders.

Parliament met in uneasy mood on Monday, June 26, to hear statements from Ministers upon the crime and, in particular, from Mr. Churchill, the Government's view of its bearing upon the larger issues of Irish policy. The burden of his speech was that the Irish people's acceptance of the Treaty closed one stage of that policy and opened another. It was now the Government's business to furnish Ulster with the full means of protecting her boundaries and maintaining order, and on the other hand to hold the Southern Government to the strict execution of its Treaty pledges. The “duality, merging upon duplicity” which tolerated the survival of Republican forms within the Free State was inconsistent with good faith. The usurpation of Rory O'Connor constituted “a gross breach and defiance of the Treaty.” If it were not speedily ended the Government would regard the Treaty as formally violated.

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The Liberal Press criticised Mr. Churchill's plain speaking severely as a surrender to the Die-hards and a disservice and danger to the cause of the Treaty in Ireland. The more general feeling, probably, was one of relief that what had been wise forbearance at an earlier stage was not to harden into injurious make-belief. From either point of view the preferable alternative was that the Irish Government should move without pressure and on its own account. Even while Mr. Churchill was speaking this had, in fact, happened.

### VI. CIVIL WAR

ON Monday, June 26, Free State troops arrested an officer of the Irregular forces engaged in applying to a Dublin garage the rigour of the unofficial Belfast boycott. The occupants of the Four Courts retaliated by kidnapping Lieutenant-General J. J. O'Connell, Assistant Chief of Staff, the same day. On Tuesday they refused to surrender either their prisoner or the Four Courts. Compromise now on the Government's part would have been abdication. In the early morning of Wednesday Government troops invested and attacked the building. A Government proclamation called for the support and co-operation of the public in the steps necessary to bring revolver rule to an end. After six months of stagnation, with the features of a civilised society almost obliterated under the rank growth of petty tyranny, mutiny and brigandage, nothing remained for Ireland but to cut its way at any cost out of the chaotic tangle. The Irregulars could, and had made it clear that they would, exact from Ireland a heavy price for the benefits of freedom and settled government. The first instalment was represented not only by the Four Courts building, a magnificent legacy from the eighteenth century, but its irreplaceable contents, the Records of Ireland. On the third day of a confused siege Free State troops gained

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a footing in the "fortress," battered and breached by shell-fire, and the garrison capitulated after firing a mine that completed the ruin. Though the main stronghold, along with other Irregular forts, had fallen, it was another week before Dublin ceased to be a battlefield. Fighting next centred in Sackville Street, where Irregulars under Mr. de Valera, who had now declared himself with the militants, had seized and fortified a block of hotels and houses. Their reduction proved a hard task. Five more days of shooting and shelling passed before the remnants of the garrison surrendered. By that time half of Dublin's finest street was a smouldering ruin. De Valera and others were found to have escaped. Cathal Brugha (Burgess), bitterest of Republicans, attempted to break through and was fatally wounded.

The cost to the country of the first ten days' fighting in the capital was represented by at least three million pounds' worth of damage to property alone and a casualty list of 346, of which 65 were deaths. The loss in money is a fraction of similar loss in other parts of the country. The economic and financial cost of the dislocation of work and trade, not easily computed, and of the collection of revenue has to be added to the total. Whatever happens, the Irregulars have succeeded, according to plan, in fastening a formidable burden upon the nascent Free State and upon the Free State taxpayer. Of the 65 killed in Dublin 49 were returned as civilians. Under this heading a few Irregulars are to be counted. The high proportion of non-combatants in the list illustrates the inevitable consequences of street-fighting, the insatiable curiosity of any crowd and the fatal familiarity of the Dublin crowd in particular with warlike operations in their midst. The casualties among the troops—12 killed and 120 wounded—were high in comparison with the rebels' losses. They were due in part to inexperience and in part to the order given to spare life. The object of the order was, of course, to soften the acerbities and shorten the memories of civil war. The

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Provisional Government was probably reluctant as well to allow charges of "Prussianism" to influence public feeling. Many of the Irregulars were mere boys of 15 or 16. When the Four Courts did not fall all in a day, people in no way sympathetic to the Irregulars were beginning to ask impatiently how long the battle would last and why a meddling Government had disturbed the inoffensive O'Connor in his lair. This one glimpse of popular psychology will explain how the Government's pace was set at first. Later when the "die-hard" garrison, including Mr. O'Connor and his deputy Mr. Mellows, emerged unscathed from the ruined Four Courts, and when Mr. de Valera and his companions evaporated, leaving Sackville Street a rubble-heap, estimates of the Irregulars as misguided heroes underwent revision.

With the Capital secure, the Government's next task was to restore its authority through the country. It began to concentrate exclusively upon its serious military problem. On July 6 a national call to arms was issued. The reply was good. Ex-service men in numbers took the opportunity offered them. Parliament, summoned originally for July 1, was postponed successively to July 15, July 29, and August 12.\* The necessity which required the Executive to act without Parliament was unfortunate though inevitable. By this time the paradox was almost to be expected that the most violent protests against the procedure should come, as they did, from those in arms against Parliamentary authority. On July 14 the Government announced the appointment of Messrs. Collins, Mulcahy and O'Duffy as members of a War Council to direct operations. A military censorship was established in Dublin.

In the first days of the Dublin fighting General McKeon had been sent to Donegal. Donegal, linked to the South only by a narrow neck of Free State territory, was suffering perhaps more than any county in Ireland from the mixed domination of bandits and Republicans. Donegal, isolated

\* The latest and probably final postponement is to August 26.

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and lying on the Western border of the Six Counties, was also, actually and potentially, the most fertile source of embroilments between North and South. The pacification of the county had therefore the double purpose of safeguarding the Provisional Government, fully employed in the South, against border complications and of stopping the hole through which Republican activity could filter to and from the West. A series of rapid and vigorous strokes broke up the Irregular centres in a few days and attained these objects in the main. The principal part of the campaign took shape as a sweep outwards from Dublin with its main strength directed to the West and South-West. Leinster was cleared without serious difficulty. In Connaught the Irregulars showed more zest for destruction than fighting and generally decamped to the hills on the approach of the national forces. Westport was captured in conjunction with a force sent round by sea from Dublin. The Irregulars left behind them in the West, as elsewhere, a trail of burnt public buildings and a hungry, impoverished and indignant population. The wanton burning of the great Marconi station at Clifden was perhaps their most distinguished achievement.

The main concentration of Republican resistance was in Munster. In the third week of July the Irregular front, as it could now almost be called, followed a line drawn roughly from Waterford to Limerick across the South-Western corner of Ireland. Here the Government was confronted by forces more or less organised and respectable both as to quantity and quality, under the ablest and most determined of the Republican leaders. De Valera himself was said to command the Southern part of the line. Behind this line the control of the Irregulars was undisputed. They dictated, conscripted and commandeered at will among a population that had signified emphatically only a month before its allegiance to the Free State. Cork City was held in a state of partial paralysis. The flanking towns, Waterford and Limerick, were the next and obvious

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objectives of the Government. They were in its hands, after sharp fighting, by July 22. In the centre, in Tipperary, the advance was slow and gave the impression that the Government was waiting for the arrival of its newly recruited reinforcements before developing the decisive attack.

The Irregulars have no plan but that of offering the longest resistance possible—long enough, they hope, to prevent the legal establishment of the Free State by the appointed day in December—and of embarrassing and ultimately discrediting the Government by whatever damage they can inflict on their own country. Cork may suffer heavily if, as is likely, it is to be the centre of a rebel stand. But there seem to be no grounds for doubting that the main operation will be ended within measurable time. In proroguing Parliament till August 12, the Government committed itself to the expectation that organised resistance would by that date be at an end.\* No one can pretend to foresee the end of the miscellaneous fighting. Even in areas nominally cleared guerilla war is being sporadically waged upon the Free State troops. Anywhere they may have to cope with trenched roads, felled trees, land mines, snipers and ambushes. Almost everywhere the railway and the telegraph are liable to interruption. In Dublin itself rifles and machine guns are still heard nightly. The prolongation of the guerilla, however, if attempted, can hardly meet with the success it had against the British. The Irregulars have enlisted against themselves, as the Provisional Government could not have done, the cordial dislike and hostility of the common people. It is significant that the Press has been calling upon the Government for a sterner handling of its enemies. The impression is that

\* The series of successful landings by Free State forces on the South and South-West coasts and the capture of Cork on August 11, made the end certain. In the height of its military successes and on the eve of its constitutional career, the Free State suffered a severe blow in the death on August 12 of Mr. Arthur Griffith—the founder of Sinn Fein, the Prime Minister-designate of the Free State and the Treaty settlement's most convinced and uncompromising upholder.

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the Irregulars have taken a full advantage of the restraints imposed upon the Government troops. Men who have taken arms against the State have the assurance that they will be spared as far as possible the risks of their own action. They have even the prospect, after capture, of release on parole. One singular instance of failure to draw the line between leniency and condonation deserves recording. According to the *Freeman's Journal* two attendants at Grangegorman mental hospital left their posts to join Rory O'Connor. A month later the Committee received them back and without argument, expostulation or reproach reinstated them, taking the view—which was indeed indisputable—that “the circumstances in which they absented themselves were exceptional.” Not merely that, but they received back pay for the period of their absence, so profitably employed in the Four Courts. It only remains to add that the institution is maintained out of the rates and taxes.

Ireland was once defined as a point-of-view. This illustration tempts its closer definition as a state-of-mind and one which makes government a business of difficulties elsewhere unknown. At this moment, though the Executive has popular opinion sincerely behind it, there is little doubt that another compromise with the Irregulars, if it came, would be quite generally received with uncritical approval. Fortunately there is no likelihood that a step will be taken which would wreck, not only this Government, but government itself in Ireland. Since fighting began the Government has refused all compromise. A Cork attempt—in the conditions existing at Cork, a natural attempt—at peace-making came to nothing. A conference summoned by Labour in Dublin, with the mingled aims of ending a ruinous conflict and of calling attention to the party's new importance, was unattended and a fiasco.

With the Provisional Government moving on its present lines there is better hope for the peaceful and prosperous future of Ireland, despite all that is gloomy and forbidding



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in her present condition, than there has been for many a year. But the road is uphill all the way and it has been dangerously trenched and blocked by the Republicans. The political difficulties, principally of their making and principally with regard to the all-important question of unity, need not be dealt with again here. They have been sensibly eased. Since the suppression of the previously tolerated campaign against Ulster, Belfast has remained quiet and the relative peace it has enjoyed convicts the Republicans of the chief responsibility for its previous state. Sir James Craig, even at the moment when he broke relations with the South, again declared himself ready to treat with a Southern Government in common allegiance with himself to the Crown. It is the material difficulties which threaten to increase. An industrialised community would have collapsed long ago under the pressure which is spreading a slow paralysis throughout Ireland. Ireland that might be amassing wealth is undergoing impoverishment. Credit is lacking. Communications are chaotic. The quickest way from Cork to Dublin is by sea *via* Liverpool. Farmers in many parts are unable to market their produce. In some districts in the West famine is spoken of in tones of conviction. All this load of loss rests upon Irish shoulders. Great Britain has celebrated the enlargement of her autonomy through the Treaty by opening her market, the Irish farmers' market, to the competition of Canadian steers. It is an unintended gesture pointing to the obverse of Ireland's new status.

This accumulation of adversities threatens a society already seriously demoralised and a Government which is in the main an improvisation. But behind them the ancient and unvarying power of recovery which Ireland draws from the soil is the constant factor of good hope. The resettlement of the country, though it may be a slow and will certainly be a patchy process, is subject in the first place to one condition only, and that the troops of the Free State are in the act of fulfilling.

## THE HAGUE CONFERENCE

**T**HE Hague Conference was convened in accordance with the final resolution of the Genoa Conference of May 19. Commissions of Experts, representative respectively of the Russian Government and the other Governments except Germany, were to meet at The Hague on June 26 "for the purpose of the further consideration of the outstanding differences between the Russian Soviet Government and the other Governments." The matters to be dealt with "would comprise all outstanding questions relating to debts; private property and credits." It was agreed also by the non-Russian Powers that their representatives should meet on June 15 for a preliminary exchange of views.

It was further settled that if no joint recommendations could be submitted by the Commissions of Experts within a period of three months from the commencement of the Conference with the Russians, or if any joint recommendations were not accepted by the Governments concerned within one month of their submission, each Government should be at liberty to make a separate agreement with the Russian Government. This, of course, implied that no separate agreements would be made whilst The Hague Conference continued or during the month allowed for consideration of its results. The French and Belgian delegations at Genoa, though they undertook to recommend participation, reserved the right of their Governments to refuse to attend or to withdraw if they pleased.

## The Hague Conference

The Genoa Conference had shown clearly enough that the problem of renewing relations with Russia was economic and moral rather than political. It is, of course, true that there are several thorny political questions, mainly concerned with the demarcation of frontiers, which will have to be dealt with before a complete settlement can be effected. Bessarabia is the most troublesome of these. But the real difficulty was, and is, to square the communist principles of economics professed, if not now completely practised, by the Russian Government, with the respect for private property and its rights which is the accepted basis of commerce and industry outside Russia. Genoa certainly helped both sides to understand the other point of view. It showed the Russian representatives the futility of expecting to base credits on the right of the revolutionary conscience to confiscate where and when it pleased. On the other hand, some at any rate of the other Governments were convinced that revolutionary Russia was by no means bound to accept any demands that might be thrown at it, and that the Russian Government was as much tied by the public opinion of those to whom it looked for support in its own country, and by the growing nationalist feeling of masses of Russians outside the circle of its immediate supporters, as any Western democratic Government. The Russian representatives were clearly afraid lest the fate that befell President Wilson on his return from Paris in 1919 might be theirs in a more tragic form. In any case, though Genoa narrowed the gulf between the two opposing economic systems it did not bridge it.

It was felt that in the calmer atmosphere of The Hague, away from the political alarms and excursions which marked each day at Genoa, a Conference of Experts, with ample time at its disposal to examine in detail the problems arising from the revolutionary application of communist doctrines to foreign property interests and from the intermingling of communist and capitalistic practice in international trade, might be expected to carry the process of

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compromise and mutual accommodation to a successful conclusion. It was thought, too, that mere lapse of time would ripen public opinion both in Russia and elsewhere—and, indeed, this happened. On the Russian side the doctrine that compensation for confiscated property would have to be paid, despite the contrary promptings of the “revolutionary conscience,” had gained general acceptance before The Hague Conference opened. On the other side, the British Note to M. Poincaré of June 10 showed that the opinion of the British Government had hardened against the view put forward at Genoa by the Belgians, and accepted by the French, that the Russian Government had no right at all to nationalise foreign property, and was bound in all cases, where it had done so and it was still in existence, to restore it intact to its original owner.

The Note runs :

Every State has the right compulsorily to acquire private property whatsoever its nature, on payment of just compensation. . . . Whether the Russian Government makes restitution of private property alienated from its owners or pays compensation for it, is a matter solely for the Russian Government. His Majesty's Government . . . entirely agree, however, that compensation shall be real, not shadowy.

The preliminary conference of the non-Russian representatives opened at the Peace Palace on June 15 and proceeded, somewhat delicately and doubtfully, to feel its way towards a scheme of procedure for the main Conference. A clear difference of opinion had already emerged in the Notes exchanged between the British and French Governments as to the purpose of these preliminary discussions. M. Poincaré desired that the preliminary Conference, unhampered by the presence or opinions of the Russians, “should decide in advance and draw up a very definite and complete programme of conditions which Russia must accept,” and should elaborate “a plan for the restoration of Russia.” The British Government held strongly that the formulation of such a plan without the

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full and cordial co-operation of the Russian Government was utterly impossible, and was in any case entirely opposed to the whole purpose of the Conference. In deference to the British view the preliminary Conference entirely confined itself to questions of procedure. It was immediately clear that whether the French and Belgian representatives stayed or departed, all the other countries would proceed to confer with the Russians. The French Government, which had left its participation in doubt until the last moment, announced that it would take part in the Conference with the Russians. But throughout the Conference the policy of the French Delegation, and to some extent that of the Belgian also, gave justification to the impression generally held that they remained, not to assist in securing the agreement which the other delegations certainly desired, but to see that proof was provided that any conference with the Bolsheviks was bound to fail.

It may perhaps be remarked that representatives of Canada, Australia, New Zealand and India took part in the preliminary Conference and formed, with the British Ministers and officials, a British Empire Delegation. In accordance with the procedure now becoming customary in international conferences, the British Empire delegates, whilst in theory preserving their rights to act separately, in fact constantly consulted together and always evolved a common policy. For the main Conference the Dominion and Indian representatives entrusted their interests to the representatives of Great Britain.

When the main Conference started it divided into three sub-commissions on Property, Debts and Credits questions. It soon appeared that the Russian interest was chiefly centred in the Credits Sub-Commission, and that, as at Genoa, the Soviet representatives were not prepared to go far in the direction of the recognition of claims for liability until they were reassured on the subject of credits. They argued that it was useless to discuss the method of discharging debts or paying compensation until they knew

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what was likely to be the rate of economic recovery of Russia and that this depended on the amount of credits granted by other countries.

On the other hand, the non-Russian Powers showed no inclination to proceed with the discussion of credits until progress had been made with regard to the restoration of property. They insisted that the first essential for credits and for the reconstruction of Russian industry was a satisfactory basis of confidence, that credits must largely proceed from the financial and industrial interests which had been concerned with Russia before the Revolution, and that these interests could not and would not move unless and until Russia had at least recognised its past obligations in relation to confiscated property and State debts. Around these contentions the controversy waged—first in one Sub-Commission, then in the other, sometimes avowedly sometimes by implication.

In the Property Sub-Commission at the very outset M. Litvinoff made it clear that the Russian Government would accept no absolute and general liability to restore particular undertakings to their original owners. The Russian Government claimed, as it had claimed at Genoa, that in deciding whether a particular undertaking should be restored to its previous owner, retained by the Russian State, or transferred to another owner, it must be guided solely by the interests of Russia; it could admit no vested rights. This statement immediately raised a protest. The Russians, however, handed in a long list of properties which their Government was prepared to lease, either to the previous owners to whom it was prepared to give priority in consideration or to other concessionaires. Examination of this list showed that only approximately 20 per cent. or so of the foreign enterprises in Russia were included, and that apparently the Russian Government proposed to retain whole industries, notably the textile industry, in which there had been previously large foreign interests. M. Litvinoff stated that this list was not complete, and

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that there might be some additions to be made to it now or in a few months, notably in respect of public utility enterprises at present run by local soviets or municipalities, but he could give no guarantees on this point. He insisted that even in regard to the enterprises contained in this list it was impossible to formulate general conditions under which the original foreign owner could definitely claim restoration of his property, since each enterprise must be the subject of a separate negotiation. With some wealth of detail M. Krassin explained that the mere restitution of a property in the present circumstances of Russia, even if it were conceded by the Soviet Government, meant nothing at all by itself. The factory owner would be powerless to work his property unless he was able to make terms with regard to labour, transport, supplies of raw materials, food, and fuel, taxation, dues, rates, etc., with the Soviet Government, or its appropriate central or local organisations.

These declarations were so completely at variance with the rights of private property, and the list of properties for which restitution was visualised as even possible was so meagre, that the impossibility of a general agreement became almost at once apparent.

Whilst the Russian answers as to the conditions on which previous owners would be able to regain possession of their property were regarded as quite unsatisfactory, M. Litvinoff's replies to a series of questions on the conditions under which a concessionaire—whether a former owner or another foreigner—would be able to live and work in Russia, together with the text of a decree of May 22, 1922, guaranteeing wide private property rights in Russia, showed that on these points great progress had been made by the Soviet Government and there was no real disagreement.

M. Litvinoff explained that his Government, whilst unable to give freehold property rights, would grant leases of factories, mines, etc., on concession terms for as long in some cases as 70 or even 90 years, that the property of

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and personnel employed by the concessionaire would be absolutely immune from arbitrary confiscation, requisition or interference, that, broadly speaking, the concessionaire would be free to buy or sell as he pleased inside or outside Russia, that he would have all possible facilities for transport, fuel, raw material, etc., and for the import of necessary machinery, that he would be secured from crippling increases of taxation by agreement in advance for a period of several years as to the maximum extent and method of levying taxation, the Soviet Government preferring an arrangement for an agreed share in output or profits, that he would be able to organise his factory as he pleased free from any interference in the management by the trade unions, whose function was now limited to the protection of the special interests of the workers as in Western countries, and that, generally, the Soviet Government, in its anxiety to secure the assistance of foreign capital and technical skill, would so frame the concession contracts as to make larger profits than those made by industrialists in Russia before the Revolution reasonably certain.

On the question of compensation in cases where the property was not restored the answers of the Russians were ambiguous and unsatisfactory. In the early stages of the Conference they refused to discuss compensation until progress had been made in regard to credits. They gave little indication that they had more in mind than long-term bonds, whose value would be nothing at all or extremely doubtful. Their attitude confirmed the view held by many members of the Non-Russian Commission that the only form of compensation available to the Russian Government which would satisfy the condition set out in the British Note as being "real and not shadowy" was the actual restitution of property. But this course the Russians refused to entertain.

It was clear that in the absence of proposals for compensation in any real form, the inability of the Russians to



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satisfy either the French or the British conception of what was reasonable in regard to restitution made a deadlock inevitable. This was in fact reached at the fourth meeting of the Property Sub-Commission.

It may be added that M. Litvinoff complained somewhat bitterly that a series of questions which he in turn had addressed to the other side had remained unanswered. These questions concerned, first of all, the extent of the property claims which were being made upon him. As to this, he was undoubtedly entitled to a reply, and would almost certainly have got one if the Conference had lasted long enough. He also desired that an elaborate questionnaire should be circulated to all claimants enquiring from them not merely details of their claims, but also a mass of other material concerning their personal position, their annual income, the size of their families, etc., so as to enable the Russian Government to distinguish between wealthy and poor claimants. It is conceivable that some of this information may be relevant at a later date when the Russian Government in fact commences to discharge its obligations. It was certainly irrelevant to the discussions proceeding at The Hague, and could not have been obtained even in an approximate form until long after the Conference would in any case have finished. The Non-Russian Commission, therefore, refused to set up the elaborate machinery that would have been necessary to acquire this information.

In the Debts Sub-Commission only the preliminary ground had been covered before the deadlock in the Property Sub-Commission rendered further progress impossible. The Non-Russian representatives put to the Russians an elaborate questionnaire concerning the Russian State budget, the size and basis of the currency circulation and other matters more or less affecting the possibility of restarting payment. M. Sokolnikoff, the Assistant Commissar of Finance, produced a considerable mass of information in reply, which showed that though the financial situation of Russia is very bad, there is some

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evidence of slow improvement. M. Sokolnikoff made it clear that for his part he held views on the need of balancing budgets that would have done credit to any British Chancellor of the Exchequer. But whether, in fact, the Soviet Government will be able to work the miracle of restoring internal financial stability within a reasonable time remains very uncertain. These interesting but largely academic investigations were intended presumably to lead up to a consideration of the period of moratorium necessary before Russia was financially able to restart her debt services. But actually no progress was made in this direction. The Russians made it clear that they could not discuss the question until a settlement was reached in regard to credits.

In the (Third) Sub-Commission on Credits the Russians were invited to put forward their proposals for reconstruction on the basis of foreign assistance. An elaborate scheme was submitted for credits over a period of three years, totalling 3,224 million gold roubles, say, approximately £350,000,000. This amount was divided into four groups, in regard to each of which considerable detail was given. Credits of one thousand and fifty million gold roubles were asked for transport, 920 million gold roubles for agriculture, 750 million gold roubles for industries, and 500 million gold roubles for commerce and banking, divided between working capital for the co-operative organisations and currency stabilisation. These figures were not examined in detail by the Sub-Commission, but they were not seriously challenged. If the money were in fact available or the conditions in Russia were such that capital could safely be invested, 350 million sterling spread over three years is not an exaggerated amount for reconstruction purposes, as compared with the needs of Russia or her possible powers of repayment. Discussion, however, centred on another point. The Russian representatives, M. Krassin in particular, insisted that if credits were granted for any

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or all of these purposes, they must be furnished direct "to or through" the Soviet Government. There was some little doubt as to what was meant by this; but the Russian delegates certainly asked that money should be furnished or guaranteed by foreign Governments to the Soviet Government, who would have the spending of it and the responsibility for repayment. On these terms business was plainly impossible, even if the amount asked for had been available. It was conceivable that some sections of opinion in Moscow believed that the other Governments might be forced to agree to such a demand. It was hardly credible that M. Litvinoff and M. Krassin, who had been closely in contact with public opinion outside Russia, could have been under any such delusion. At any rate the reply of the Non-Russian representatives can have left no doubt in their minds. Credits for Russian industry and agriculture, it was explained, might conceivably be guaranteed to some extent by the Government if satisfactory arrangements were reached in the other Sub-Commissions. But such credits would have to be given on commercial lines through foreign traders, manufacturers or bankers to individuals or organisations in Russia in whom commercial confidence could be placed. The breakdown in regard to private property brought not merely the discussions on debts, but also on credits, to an abrupt ending.

For some days it appeared as if the Conference would end prematurely with all the essential points unsettled and many of them undiscussed. The non-Russian members of the Commissions proceeded to draft reports explaining the difficulties that had occurred. But before closing the proceedings the Russian delegates were informed that if they had any further proposals consideration would be given to them. Some sparring took place as to whether such proposals should be laid before the Property Sub-Commission or before the Plenary Conference. For one moment it looked as if a proposition by the French delega-

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tion to refuse to have anything further to do with the Russians, because they insisted that it would be inconvenient to discuss the situation in the Property Sub-Commission with its limited terms of reference, might be carried. But a very significant combination of all the smaller Powers bordering on Russia from Finland to Roumania, who had now realised the danger of leaving the whole Russian question in uncertainty and confusion, negatived this proposal.

M. Litvinoff at the Plenary Session abandoned completely his demand for credits, in view, as he said, of the inability of the other Governments to grant them, and proceeded to suggest a completely new basis of discussion. He proposed that if the other delegations would put a similar proposition to their Governments the Russian delegation should at once refer to its Government the question whether it was prepared, on the assumption that no credits could be given—

1. To acknowledge the debts due by the Russian Government or its predecessors to foreign nationals, and
2. To agree to give effective compensation to foreigners for property previously owned by them which has been nationalised by the Russian Government, provided the terms of payment of the debts and terms of compensation, whether in the form of concessions or otherwise, were left to be agreed between the Russian Government and the persons concerned in the course of two years.

This proposal created an entirely new situation. M. Litvinoff indicated that his Government would probably require about a week for its reply, and it was not very clear what would remain to be done at The Hague if and when a reply had been received from Moscow. If a favourable reply were received the main questions at issue would immediately have become matters for negotiation between representatives of private interests and the Soviet Government and not between Governments. The Non-Russian Commission, therefore, contented itself with passing a somewhat confusing resolution warmly welcom-

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ing M. Litvinoff's proposal, stating its opinion that, though the basis of an agreement could not be found within the terms of this declaration, its acceptance and its loyal execution by the Russian Government would contribute to the re-establishment of the confidence which was necessary for the reconstruction of Russia, and would create a favourable atmosphere for such further negotiations as may be considered opportune.

Another resolution was also passed by which the Governments undertook not to support their nationals in negotiating for property which had originally belonged to other foreigners but had not been restored, and then the Conference ended.

*Prima facie*, the unsettled termination of the Conference does not appear satisfactory. But closer examination gives reasonable justification for a more optimistic view. At the time of writing the reply of the Soviet Government is not known. But Mr. Lloyd George, in his speech in the House of Commons on July 26, and in his answer to a Parliamentary question on the following day, made it clear that if the Russian Government accepts unconditionally the propositions put to it by M. Litvinoff, the British Government will be prepared to assist British property owners and others to come to terms with the Soviet Government and to participate in the economic reconstruction of Russia, and that the Government credit facilities under the Export Credits Scheme and the Trade Facilities Act would be extended to Russia in due course; further, too, if the Russian Government gives evidence, not merely by an undertaking or verbal guarantees, but by practical example, that it is loyally proceeding to carry these propositions into effect, diplomatic recognition would be accorded. Presumably a general treaty would then dispose of all outstanding questions between, at any rate, Great Britain and Russia. If the reply, therefore, is satisfactory it may be assumed that the long-drawn-out attempts to reach a satisfactory settlement of the outstanding prob-

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lems between this country and Russia will at last approach as successful a conclusion as the circumstances permit. Even if, on the other hand, the Russian reply is dependent on conditions with regard to *de jure* recognition, a settlement, though it will take considerably longer to effect, might still be within reach. The fundamental obstacle has always been, not so much the terms of payment of obligations as the actual recognition of liability. Some of the Bolshevist leaders have at last realised that it is futile to expect to secure confidence in honesty by offering to be honest for a sufficiently high bribe. It may be that the Russian contention that the right of Revolutionary Russia to repudiate liability for loans received by the Tzarist Government from French and British bankers and investors for the purpose of repressing revolutionary movements and of preparing for the European war can be supported by some philosophical arguments that may seem plausible to those who use them. It is useless, however, to expect foreign investors and Governments to accept this view when asked for further credits by those who claim to be the heirs and successors of the Tzarist Government. At long last it is to be hoped the Russian Government understands this.

If, indeed, in any form the obligation to accept responsibility for debts and compensation is assumed by the Russian Government; then the main justification of a united diplomatic front against Russia disappears and progress can best be obtained by individual agreements as and when each State feels disposed to recognise the Soviet Government. There may be some disadvantages in this course. There are no less certainly great difficulties and many disadvantages in a continuance of the attempt to secure that the pace of the 26 or more non-Russian nations should be set by the slowest. It can hardly be doubted that Italy, Czecho-Slovakia and others will soon follow the example of Germany and Poland and make separate treaties with Russia. So far as Great Britain is concerned,

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although it will be long before any large material results can be expected in the present condition of Russia, our industrial situation clearly requires that the obstacles to trade arising from the present unsettled juridical arrangements between this country and Russia should be removed as soon as possible. The moment that this country comes to terms with Russia it seems more than likely that, with two or three exceptions, the rest of Europe will follow suit. There is, indeed, more than ample room for the enterprise of all nations, as soon as confidence is restored, in the enormous task of helping to restore Russia, and there is no cause more necessary to the establishment of peace and the recovery of European economic prosperity.

If The Hague Conference has contributed to the establishment of conditions under which the co-operation of all these nations is at last possible for purposes helpful to Russia and her sorely tried people, then it will mark a real turning point in European affairs.

# UNITED KINGDOM

## I. CURRENT POLITICS

THE great political questions of the summer have been questions of the world at large, and as such are discussed elsewhere in this number. The aftermath of the Genoa Conference, with its inconclusive sequel at The Hague; the perennial problem of German reparations, which still awaits a final settlement; the Allied debts to this country, which have become part and parcel of the reparations problem, and the British debt to America, which by common consent must be discharged without any extraneous consideration at all; the financial crisis in Austria, to be followed beyond all doubt if things continue as they are at present by a similar crisis in Germany; the state of war in the Near East; even the deplorable condition of Ireland must be placed outside the normal range of domestic controversy. In these circumstances the present article must deal mainly with the industrial disputes of the quarter, with a brief appreciation of the position of the Government, a note on the one domestic incident which has really troubled them within the period under review, and a short account of the Canadian cattle embargo controversy.

### *Honours and the House of Lords*

The abuse of "Honours" as bait for wealthy partisans is an ancient grievance against Governments, and even against the Sovereigns who ruled before the days of respon-



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sible Governments. There are precedents in history for the worst affairs in the List which traditionally celebrates the New Year and the King's Birthday. Transactions which in the nature of things are both highly confidential and conducted by intermediaries admit of no accurate statistics. It stands to reason that the successful aspirant to a peerage or a baronetcy drops a cloak over the steps of his ladder, while the baffled climber is always hoping for another chance. Nevertheless the belief gained ground that Mr. Lloyd George was gradually outstripping the most flagrant of his predecessors in his special disregard of the convention which at least includes some overt public service in the claim to Royal recognition. For the last two or three years there has been increasing pressure for information about the party funds which the Prime Minister (a leader with no established body of followers) has at his disposal, and at the same time about the services rendered to the State by certain obscure recipients of honours.

It so happens that a trifling concession granted in recent years by the Government—an undertaking to publish an official statement of services—has been the unexpected means of bringing this pressure to a head. The June Honours List included among its new peers a South African mining magnate in the person of Sir J. B. Robinson, and with singular carelessness gave as his formal claim the fact that he was chairman of the Robinson Bank. That bank, as every South African knows, had ceased to exist in 1905, while Sir J. B. Robinson had received his baronetcy in 1908, presumably in satisfaction of any services rendered before that date. Altogether the statement was a little too flagrant to pass muster. It became still more intolerable when Lord Harris, who felt it his duty to raise an unpleasant personal question in the House of Lords, quoted some strong remarks by the Chief Justice of South Africa with regard to certain financial dealings of Sir J. B. Robinson, while two former Governors-

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General testified that the new peer had never to their knowledge rendered any national or imperial service whatever. In the meantime it had been made perfectly clear by General Smuts that the present South African Government had not been consulted on the subject, and thus the bestowal of a peerage, sufficiently indefensible on other grounds, had become (not for the first time) a cause of offence to a British Dominion. There was no real need to probe this particular mystery further, for Sir J. B. Robinson himself put an end to the discussion by declining the peerage in a public and dignified letter. But this was by no means the only new peerage to be attacked, and the agitation over the general question had acquired a new momentum. The Government at first treated it as trivial, but was finally obliged to set aside a day for its discussion in the Commons; and the upshot of an acrimonious debate on July 17 was a pledge to appoint a Royal Commission forthwith to advise on future procedure in making recommendations to the King.

In the previous week, on July 11, the Cabinet had announced its long-awaited scheme for the reform of the House of Lords—a subject by no means unconnected with the bestowal of hereditary peerages. The production of some scheme or other was a recognised obligation of the present session. The demand for it came strongly from a section of the Conservative party, which had never forgotten that the Parliament Act was avowedly the fulfilment of only half a policy. The demand was further reinforced by the pressure of those general critics of the Coalition who had no special interest in a reformed House of Lords, but saw every prospect of a hopeful schism in the Cabinet over the preparation of a definite Reform Bill. Whether either of these bodies can derive much satisfaction from the published resolutions is more than doubtful, for they carefully avoid the real objective of the reformers, while the Cabinet which drafted them is still intact. But at least in some sense Ministers have achieved their under-

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taking, and it is fairly safe to predict that that will be the end of the present scheme so far as they are concerned.

It has apparently been framed to suit every conceivable school of thought. The Second Chamber which it contemplates is to be constituted partly by election from outside, partly from a nucleus of hereditary peers, and partly by nomination. Its members are to hold their seats for a limited period, which can, however, be renewed. And they are to number in all approximately 350. So much for the composition of the House, which is to include also in its total (as heretofore) lords spiritual, law lords and peers of the Blood Royal. In the matter of powers on the other hand—which the reformers mutually regard as far more important than *personnel*—the changes proposed are relatively insignificant. One grievance of the House of Lords is dealt with by Resolution IV, which gives it an equal share with the Commons, under the chairmanship of the Speaker, in deciding what is or is not a money bill. But the Parliament Act is to stand—except, indeed, in so far as affects the constitution of this new Second Chamber, which is expressly removed from its operation. There is no attempt to undo the work of 1911, which substituted a temporary power of suspension for the old veto of the House of Lords. All that is proposed is to change the present House for a Chamber which is admittedly nebulous and artificial, and for which, moreover (to judge by the preliminary debates), there is neither demand nor respect.

In the circumstances it seems hardly necessary to examine the resolutions in any great detail or to compare them with previous schemes of reform. It is just interesting to note that the suggested total of 350 was the number laid down by the Select Committee of the House of Lords which sat under Lord Rosebery's chairmanship in 1907 and 1908, and recommended a House of Lords to be chosen either *ex officio* or by election from among the hereditary peers, with a small addition of peers for life. It is also interesting that the new scheme is far less definite in its

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reference to "election from outside" than was the laborious report of the Bryce Conference in 1918, which worked out a complete constitution for a Second Chamber, to be filled entirely by indirect election. There is room, indeed, in the present proposals for every experiment that has ever been suggested by reformers. What stultifies them is the attempt to combine so many experiments in a single scheme and then to make it practically unchangeable.

The real truth about the House of Lords is that there is no great public movement for a change and no logical argument in favour of reform that does not take into account the whole question of Parliamentary devolution and the discussion of Imperial affairs. The present House has a far stronger position in the eyes of the British public than its limited powers involve. If it is to have an equally strong position in the eyes of the Empire overseas it is essential that there shall in future be no mistakes in the choice of new peers from the Dominions. If once the process of admission to the peerage could be reformed there is no reason why it should not provide by selection from its own ranks—say, to the accepted number of 350 or thereabouts—a thoroughly efficient Second Chamber in accordance with tradition. What is quite certain is that no House of Commons is going to establish a House with powers that rival its own. It may be more rational to entrust such powers to an elaborate Senate composed of ex-Governors and Chairmen of County Councils; but it is certainly not more popular, and a Second Chamber of that type would unquestionably lose much of the moral authority which is implicit, however irrationally, in the hereditary system.

### *The Position of the Government*

The reform of the House of Lords has always been put forward as one of those great outstanding commitments which required the perpetuation of the present

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Government. Yet the production of its scheme has not affected the Coalition in the slightest degree, for better or for worse, and it is safe to say that it would make no difference to their fortunes whether the reform resolutions are hammered into an Act or decently interred to-morrow. How, then, does the Government stand and what is its probable course in the remaining year of its legal existence? Beyond all doubt, during the last quarter, certainly during the first part of it, it continued to grow steadily more unpopular in the country. Far from contributing anything to avert that process, events seemed specially designed to hasten it. Mr. Lloyd George through no fault of his own was denied a triumphant return from Genoa. For months confusion worse confounded seemed to be the only result of the Government's Irish policy, and the pact between the Provisional Government and the anti-Treaty party tended to confirm the growing conviction that in Ireland itself there was no intention of keeping the terms of the Treaty. A long series of murders and outrages finally culminated in the abominable assassination of Sir Henry Wilson at the hands of two of his compatriots in the heart of London. There was certainly no credit for the Government in the Honours controversy; at the moment it did perhaps more to shake the Prime Minister personally than any other count against his administration. Finally the lapse of time and the general growth of discontent have been having the effect which they always exercise on any Government towards the end of its term. If this were the whole story the outlook for the Coalition would seem gloomy indeed. But at the end of June in Ireland, where the prospect seemed blackest, the Government's clouds began to lighten. The Irish elections made it overwhelmingly clear, in spite of every obstacle, that the people of Ireland were for the Treaty, and the Provisional Government at last broke with the Republicans and commenced to assert its authority by force of arms.

At the present moment it seems likely that the Govern-

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ment's natural term of life will be reached, or at any rate as nearly reached as the Government itself may choose. Nothing remains, so far as can be foreseen, to provoke a sudden political crisis before the end of the year. Other things apart, there is in any case no Opposition strong enough to displace or to supersede them. In some respects indeed the prospects of the Opposition groups are even less hopeful than they seemed a little earlier in the year. The chance of effective common action between Labour and the dissentient Liberals may almost be ruled out of calculation after the very definite pronouncement on the subject made by the Annual Conference of the Labour party in July. Lord Grey of Fallodon, who was once the rising hope of an alternative Government, has relapsed into a rural seclusion which is rarely broken, and Mr. Asquith hardly counts for this purpose. Labour, taking its independent course, will always, of course, be a serious factor. It has lately won an important by-election against a minor member of the Government and will certainly suffer from no lack of organisation under the new Chairman of the party, Mr. Sidney Webb. But the Parliamentary leaders of Labour are in no great hurry to find themselves responsible for forming an administration, and the probability is that they look forward to a preliminary stage of holding the balance between a number of groups. A party that has made converts during the quarter under review is the "Die-hard" Conservatives, with a newly-elected leader in the person of Lord Salisbury; but the "Die-hards" are even less likely than Labour to find allies in the present Opposition and can never hope to be sufficiently numerous to stand alone.

The fact is that in most respects the general tendencies of the present Government—as far as domestic affairs are concerned they can hardly be called a policy—do sufficiently represent the views of the average man to make combined Opposition almost impossible. Political polemics of all sorts are at a discount, as ardent politicians lament—partly

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because the strain of the war has made domestic politics less interesting than they were, partly because the task of reconstruction after the war keeps many good men from entering Parliament. It is not that they are apathetic, but that they are too much occupied with other things. In the circumstances the Coalition, which in the nature of things is limited to middle courses, manages to struggle along without rousing violent popular opposition to any particular measure. Everyone dislikes its twists and turns and compromises, but no one has yet succeeded in producing a programme which is different enough to divide the electorate against it. Moreover, everyone is beginning to realise that in some shape or other the next Government is bound to be a Coalition too. The popular theory for the moment is that the dissolution may now follow an early Budget in the Spring of next year, with such concessions in taxation as may seem expedient at the time.

### *The Canadian Cattle Embargo*

There is another matter which, although it has not affected the Government's position, has lately filled the columns of the Press. The Canadian cattle embargo has for some time been the subject of a vigorous campaign, and in view of the existence of a certain amount of misconception, a few words of explanation may not be amiss. In the first place, the expression "Canadian cattle embargo" is itself misleading, for not only Canadian cattle, but all cattle coming here from outside the British Islands, are equally affected. In the second place, such cattle are not actually kept out of this country. They must, however, as the law stands at present, except in a few specified cases, be immediately slaughtered on arrival. It is this that constitutes the embargo, and its effect is to prevent lean cattle—commonly called "stores"—from being brought over here from overseas and fattened for our market on

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British farms. This law has been in existence for a considerable time, and its object, as its name shows, is the prevention of contagious disease. Before 1896, however, a discretion was left to the British authorities to allow cattle to come in from "clean" countries, and until 1892 the discretion was exercised in favour of Canada, but in that year the permission was withdrawn, as it had already been previously withdrawn from the United States after an outbreak of pleuro-pneumonia in 1879, and from a certain number of European countries which used to enjoy it. In 1896 the law now in force—the Diseases of Animals Act—which obliges all cattle, except animals intended for exhibition or certain special purposes, to be slaughtered on arrival, was passed. Attempts to get the law altered are not a thing of yesterday. They have been going on since the beginning of the century.

There are, however, to-day certain new factors in the situation which did not exist before the war, and the health of Canadian cattle has continued uniformly good. In the first place, we have hitherto drawn a large number of cattle from Ireland—250,000 to 600,000 a year was the figure quoted in the House of Commons. Ireland being part of the United Kingdom did not fall under the embargo law. Ireland, however, or at all events 26 counties of Ireland, is about to become a Dominion herself, and if the present arrangements are continued, she would have an advantage given to no other Dominion. For the purposes of a future war, there might be some advantages in keeping on the present system, but on the grounds of the prevention of disease, the legal basis of the embargo, Ireland's bill of health is, according to a Royal Commission, not so satisfactory as that of Canada. The finding of this Royal Commission is the second new factor. It was appointed in 1921 to go into the question of the removal of the embargo. It came to no decision about the effect of such removal for the purposes of a future war, or on the question of the protection of British cattle on other grounds than health. It con-



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sidered these matters outside of its reference. But it pronounced in favour of the removal of the embargo under the terms of its reference. Lastly, and most important of all, during the war a question of honour was introduced into the question.

In 1917 a pledge was given to the Canadian representatives at a meeting of the Imperial War Conference. As to the meaning of this pledge, there has been a difference of view, Lord Ernle, who gave it, claiming that he meant something less than the unconditional removal of the embargo. His words were, he said, intended to promise the removal of the slur cast on the healthiness of Canadian cattle. Space does not admit of our going into detail, but as far as the Canadian members of the Imperial Conference are concerned, we have it on the authority of the Duke of Devonshire, at that time Governor-General of Canada, that they went home satisfied that the existing embargo was to be done away with as soon as it conveniently could. On the British side the pledge has been recognised by the Prime Minister himself, though the Royal Commission to which reference is made above was appointed to go into the merits of the question. Lord Long, too, who presided at the 1917 meeting of the Imperial War Conference, is satisfied that a pledge was given to remove the embargo imposed on the score of danger of disease.

Such is a brief outline of the earlier history of the controversy. During the quarter under review it has been vehemently continued. There have been debates in both Houses of Parliament, and the present position is that on July 24 the following motion by a private member was passed in the Commons by 247 votes to 171 :—

That this House is of opinion that the time has arrived when the embargo on the importation of Canadian cattle should be removed.

In the House of Lords two days later an amended resolu-

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tion was carried, on the motion of Lord Long, to the following effect :—

That this House accepts the conclusions of the Royal Commission that the Dominion of Canada is free from cattle plague, pleuropneumonia and foot-and-mouth disease, and is of opinion that steers from the Dominions might be admitted as store cattle to Great Britain, subject to precautions, by means of quarantine, being taken.

It will be noticed that the latter resolution applies not only to Canadian cattle, but to cattle from the Dominions generally, and that quarantine precautions are proposed. With regard to the last point, fears have been expressed and evidence was given before the Royal Commission that a system of quarantine would be extremely expensive and so hamper the "store" trade as to render the permission to import illusory. Lord Long, who had been in touch with their representatives, was, however, hopeful that the Canadians would accept this proposal, and possibly the necessary precautions can be taken before the cattle reach our shores.

Space does not permit of a detailed examination of the *pros* and *cons* of this question. It is not, however, surprising if some confusion exists in the public mind. Basic principles of all kinds have been invoked ; parties and groups have been hopelessly divided. An appeal has been made on the grounds of Free Trade by some of the opponents of the embargo, but the soul of the opposition to its removal in the Upper House has been as noted a Free Trader as Lord Crewe. The removal has sometimes been advocated as a kind of Imperial Preference, but we find Mr. Asquith's name among the "Ayes" in the House of Commons, and there were plenty of imperialist stalwarts in the opposite lobby. On the question of honour, men of unimpeachable integrity were found on both sides. One interesting feature of the debate in Parliament was the presentation of the case of the Southern Irish farmers by an Ulster member in default of representatives of their own. The Govern-

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ment itself was as divided as every other body, and the Whips were taken off for the occasion on July 24. The chief advocate of the embargo, the Minister of Agriculture, found himself opposed by the Secretary for the Colonies. The Prime Minister, Mr. Fisher, Sir Hamar Greenwood and Sir Robert Horne, as well as Mr. Winston Churchill, all voted for the removal of the embargo, while Mr. Austen Chamberlain and one or two other members of the Government went with Sir A. Griffith-Boscawen into the other lobby.

An adequate examination of the arguments used on either side is out of the question in a short sketch. On the one hand it was contended that, however good Canada's bill of health, there is always a risk of disease creeping over here undetected among store cattle, especially with a 3,000-mile land frontier between her and the United States; that the import of Canadian cattle may adversely affect the purity and discourage the breeding of British and Irish stock; that in time of war the Canadian supply might be cut off and leave us with a shortage owing to such discouragement; that the cattle sent would only take the place of home-grown beasts and not be an addition; that once the United States open their market to Canadian "stores" this supply would cease, and even in ordinary times the quantity would fluctuate. On the other side it is claimed that it will be to the Canadian Government's interest to keep their cattle clean; that they have succeeded in doing so hitherto, and that Ireland and Great Britain both have a worse bill of health than Canada at the present time; that if the majority of farmers in England are for the embargo as well as those in poor countries like the Highlands, who themselves have stores to send out, agriculturists, especially in Scotland and the East of England, want stores, if only for the sake of the manure; that at present there are not enough of them, and with a larger supply the area of cultivation would increase, which would mean a better supply of home-grown food against

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the risk of war ; that a second string to Ireland, over which our control is no longer effective now that it is to be a Dominion, would be an advantage ; that 200,000 odd cattle arriving here from Canada will not really discourage breeding at home ; that Ireland would in future send more fat cattle to England. The Commission thought, against the view of Sir Daniel Hall, that the removal of the embargo would mean more milk and cheaper meat, and it did not anticipate an uncertain or variable supply.

The above is an incomplete outline, but it will suffice to show how much there is to be said for both sides of the question. Still, on many of the technical points we now have the decision of a Royal Commission. And if the case for exclusion on the grounds of health has broken down, Canadian cattle should certainly not still be kept out for ordinary "protection" reasons under a law intended purely to exclude disease.

But apart from the technical merits, there remains the question of our word—and of our word given at an Imperial Conference. We feel that the decision of Parliament was right.

## II. THE INDUSTRIAL SITUATION

**S**INCE February of this year there has been a steady, though not a rapid, decrease in the number of unemployed workers in the United Kingdom. After remaining for some months near 2,000,000, the number had fallen by the end of June to 1,450,000.\* But the revival of trade indicated by these figures has not only been relatively slight, it has also been only partial. One of the largest industries of the country, coal-mining, has sunk through every degree of adversity until there is scarcely a district in which coal miners can now earn a living wage. The

\* At the Conference of Allied Premiers on August 7 Mr. Lloyd George gave the number of unemployed as 1,400,000.

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process of readjusting wages to economic conditions continues and must inevitably continue until the striking anomalies still to be found in wages rates in different industries and between different grades of workers have disappeared. Several millions of the population are still dependent on unemployment benefit and poor relief for subsistence, and until the rake's progress ceases to be the true description of economic movements in Europe there seems to be no rational ground for expecting any material improvement in conditions in the United Kingdom. Meanwhile the workers with each successive change for the worse in wage conditions lose something of their power to resist the next ; there is, as always in times of marked depression, a steady falling-off in trade union membership and a progressive diminution in the number of serious trade-disputes. Such, in a few sentences, is a summary of the present industrial situation. Some features of it require fuller treatment, but before we proceed to deal with them it may be well for the sake of continuity to record the termination of the engineering lock-out, an account of which occupied so much of this article in the last issue of THE ROUND TABLE.\*

### *The Engineering Lock-out*

The dispute in the engineering industry came to an end in the middle of June. It had been obvious for some time that the funds of the unions were being exhausted, and that the men could not maintain their resistance for long on the meagre strike pay to which they were reduced. The particular formula which in the end the unions accepted did not differ materially from those which they had previously rejected, and in itself no one can pretend that it has any special value. The peace of the industry in the next year or two depends not on any form of words but on the interpretation of them by the two sides, and on the

\* THE ROUND TABLE, No. 47, June, 1922, p. 602.

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spirit in which the agreement is worked. For the moment the men have gone back to the shops and are working well. After an almost complete cessation of production for three months there is much leeway to be made up, and for some months short time in engineering establishments is likely to be less frequent than it was before the lock-out. In these circumstances, with the men impoverished, further trouble is improbable at present, but it rests with the industry itself what the future will be.

When the lock-out was terminated the engineering employers took steps to secure a reduction of wages. Engineering wages had not in 1920 risen to the fantastic heights attained in many other industries, but since then they have fallen correspondingly less and have remained above the general level of wages in skilled trades. On this account a further reduction had to come, and when the hipbuilding unions in April agreed to the withdrawal of 16s. 6d. of the weekly flat-rate war bonus of 26s. 6d., it was inevitable that a similar cut should be made in marine engineering shops, and in consequence throughout the engineering industry. The engineering employers proposed to withdraw the 16s. 6d. in three equal monthly instalments beginning on August 1. The reduction has been rejected on a fractional ballot of the unions, but is being enforced, and is extremely unlikely to be actively resisted by the men.

### *The Mining Industry*

Since the termination of the disastrous coal-mining dispute of last year the position of the mining industry has gone from bad to worse. Under the agreement then made the miners obtained a large share of any profits derived from the industry after the standard wages and the standard profit of 17 per cent. had been paid. They also obtained a guaranteed minimum wage of 20 per cent. above the 1914 wage. The last twelve months have been one long

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record of wage reductions under the agreement and of the sacrifice even of standard profits by the owners with the object of reviving the demand for coal. To a certain extent the policy has been successful. Some foreign markets have been regained. British coal has even been sold in countries such as India in greater quantities than in normal times, because local wages and railway rates have not fallen to the same extent as British prices. Owing to the shortage of German production and the deliveries required from Germany on reparations account, British coal is now finding a certain market in Germany. But in the present state of Europe, the outstanding fact is that the production of coal exceeds the demand, and this in itself sets a limit to the extent to which the reduction of British coal prices can restore the coal trade. As it is, wages in all districts except Yorkshire have fallen to the guaranteed minimum, that is, to approximately 6s. 9d. a day for hewers, and the average working week throughout the coal fields of Great Britain is very little over four days. In other words, the great majority of the 1,100,000 miners employed in this country are unable to earn a living wage at the present time.

These were the facts with which the delegates of the Miners' Federation were recently confronted at their annual congress at Blackpool. The president, Mr. Herbert Smith, and the secretary, Mr. Frank Hodges, were at some pains to defend the agreement made last year. It gave the miners a share in any prosperity which might accrue to the industry, and it gave them, too, what in present circumstances was an invaluable safeguard, a minimum wage higher, if only a little higher, than the standard pre-war wage. They were resolutely opposed to any action on the part of the men which would lead in the near future to a dispute with the owners. The present position was a misfortune for both sides, and it could not fairly be suggested that the sacrifices were all made by the men. As to any remedy, neither Mr. Smith nor Mr. Hodges had any

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suggestion of importance to make. There was a significant absence of advocacy of nationalisation. Mr. Hodges, indeed, hinted that he was glad nationalisation had not come about two years ago, since the present state of the industry, inevitable in any case, would then have been ascribed to the change of ownership.

The Congress came to a vote on two resolutions which were important both in themselves and as indications of the state of mind of the delegates. The first was a motion brought forward by delegates from South Wales that the Federation should affiliate itself to the Red or Communist Internationale. After a heated discussion, in which the Communist cry that capitalism must be destroyed was treated with contempt by several delegates, the motion was rejected by a large majority, only the South Wales delegates supporting it. The other resolution was proposed by the Lancashire miners and recommended that notice should be given in September to terminate the present wages agreement at the end of the year. Here again no support was found outside the district of origin. The Executive Committee was authorised, however, to negotiate with the owners under the present agreement with a view to the framing of joint measures for ameliorating the position of the miners and of the industry generally. What will be the result of these negotiations is still uncertain. One proposal, which is known to have found some favour on both sides, is that output should be restricted with the object of keeping prices up at a point at which higher wages can be paid. If that course were followed, it is difficult to see that it could have any result except a setback to trade and the loss for the second time of markets which it is essential for the industry to retain. There is indeed no short-cut to prosperity in coal mining or in any other industry. As long as the economic condition of Europe and the world is such that the normal coal-producing capacity of Great Britain exceeds the demand for coal, unemployment amongst miners and low wages cannot be



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avoided. It may be found possible by improved methods and better organisation to reduce charges other than wages and so to increase the available wages fund; but for the most part such improvements call for capital expenditure, and at a time when most collieries are losing money capital expenditure on a large scale is unlikely. It is certain that only disaster would follow any revolutionary change in the control of the coal-fields, such as nationalisation, and indeed there is every indication that this is recognised as clearly by the mass of the miners as by any other section of the community.

### *The General Wages Level*

In all industries exposed to competition the tendency for wages to find their own level continues. The following table will serve to indicate the movement of wages since 1914 in some of the most important British industries. The figures for coal-mining and the textile trades are expressed not as a weekly rate but by index numbers.

	1914	Dec. 31,	Feb. 28,	June 30,	Percentage in-
<i>Building Trades :</i>		1920	1922	1922	crease over 1914.
Bricklayers	40/7	100/10	86/9	72/-	77%
Labourers	26/11	87/3	68/5	56/-	108%
<i>Shipbuilding :</i>					
Skilled men	41/4	101/-	75/-	58/6	41½%
Labourers	22/10	70/-	56/7	40/1	76%
<i>Engineering :</i>					
Skilled men	38/11	89/6	73/6	57/-*	46½%
Labourers	22/10	70/9	56/11'	40/5*	77%
<i>Agriculture :</i>	17/- to	46/- to	31/- to	—	Average is less than 100 per cent. above the 1914 rates.
	18/-	52/-	44/6	—	
<i>Coal-mining :</i>	100	250 to 300	120 to 179	In all districts except Yorkshire 120	20%
<i>Textile Trades :</i>					
Cotton ..	100	271	205	170	70%
Woollen..	100	316	214	190	90%

\* These rates will be in force only on October 1, after the reductions above referred to become effective.

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These figures show the very substantial lowering of the wages level in these industries since 1920 ; and they show too that the unskilled man has been able to retain relatively more of what he gained during and just after the war than the skilled worker.

The table does not include figures for the wages of railwaymen, which are regulated in accordance with a special agreement. Under the terms of settlement of the railway strike of 1919, railway wages were made to vary with the cost of living but in such a way that whatever the fall in the cost of living there should be no reduction in wages below a standard rate. This standard rate is approximately 100 per cent. above the 1914 rate. The Railway Act of 1921 so far perpetuates this settlement that it debars alterations in wages inconsistent therewith or in conditions of service except by agreement with the railway unions or by reference to wages boards. This provision is a part of the new organisation of the railway system which has been imposed by statute and with that organisation as a whole it must be given a fair trial. No one can pretend that the transport system of Great Britain, as it was left by the war, or as it exists to-day, is satisfactory ; at their present running cost there seems little prospect of the railways being able to carry freight as cheaply as the industrial position of the country demands. The railway wages agreement can clearly only be modified or abrogated by general consent, but it is well that it should be recognised that under it a minimum wage is guaranteed to railwaymen which is substantially higher than that which economic necessity has imposed on all the other great industries of the country.

We have not included in the table any of the trades in which wages have been regulated by Trade Boards. Lord Cave's Committee, which recently reported to the Government on the working of the Trade Boards Acts, found, as had been generally anticipated, that through the extension of the Trade Board principle in 1918 to unorganised trades,

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whether or not there was any real evidence of "sweating" in them, minimum wages had been fixed for approximately 3,000,000 workpeople, both unskilled and skilled, often with no regard to the power of a particular industry to pay the wage so imposed on it or to the rates current in other non-Trade Board industries for comparable work. In the absence of any generally accepted principle as a basis for such minimum wages, different and conflicting principles were adopted by different Boards. Rates for unskilled male workers were fixed varying from 44s. to 66s. a week and in several instances time-rates for skilled workers were fixed at over 90s. a week. The Committee recommended a number of far-reaching amendments to the Acts, with the objects, *inter alia*, of restricting the appointment of Trade Boards to trades which are not only unorganised but in which unduly low rates of wages prevail, of limiting the power of Boards when appointed to fix a wide range of minima for different grades of workers, and of expediting the procedure to be followed before rates can be revised. The Minister of Labour has recently announced that pending the drafting of an amending Act he proposes to adopt such of the Committee's recommendations as can be applied by administrative action. In this way a further step has been taken towards the equalisation of the wages paid in different industries for similar work. The process is a slow one, but at least it continues.

### *Government Measures*

While economic forces operate steadily and relentlessly, the long paralysis of British industry has again directed attention to the possibility of Government measures for alleviating and diminishing unemployment. The economic sanitation of Europe, which must remain an essential preliminary of any complete industrial revival in the United Kingdom, is not within the province of this

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article. The Government has just announced the appointment of a Cabinet Committee to review the whole question of unemployment, its causes and possible remedies, and any new statement of Government policy must await the result of the Committee's deliberations. In the meantime it may be worth while glancing at some of the measures now in operation.

If we look first at measures of alleviation, there is the payment of unemployment benefit and of supplementary relief through the local guardians, forms of assistance to the unemployed which have come to be classed together under the comprehensive, if inapt, name of "the dole." It is not extravagant to say that without the dole a prolonged period of unemployment so severe as that which has been experienced in the United Kingdom in the last two years could not, as in fact it has, have passed without serious disturbance of any kind. The dole has been attacked on many grounds—on the grounds above all that the country cannot afford it and that it demoralises those who receive it. But the justification for the payment of the dole has been overwhelming. Unemployment has come not simply to the unemployable but as an epidemic to a considerable proportion of all the workers. It has come, too, when by the mass of the population it was least expected, as a bitter disillusionment to those who had thought that through the war they had conquered a new world. Financial stringency will compel public authorities gradually to reduce the scale of the dole, but so long as the country remains in the grip of an economic crisis such as that of the last two years, the relief of distress amongst its unemployed must continue to be an unavoidable charge on its revenues. The Government has recently agreed to reduce the period between successive terms of eligibility to unemployment benefit from five weeks to one—a reasonable amendment of the law—but with this exception there has been no recent alteration of importance in the amount or the conditions of the benefit.

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Of the measures intended to diminish unemployment the most important have been those provided by the Trade Facilities Act—*i.e.*, the export credits scheme and the Treasury guarantee of loans raised anywhere for capital undertakings intended to provide employment in the United Kingdom. Both of these have given valuable assistance, though relatively to the extent of the unemployment problem, it has been within narrow limits. It was announced some time ago that the export credits scheme would terminate in September of this year, but that decision has now been revised and the scheme is to continue in operation for another twelve months. The loan guarantee provisions of the Trade Facilities Act will, if not extended, lapse in November. Of the £25,000,000 to which in the first instance the guarantees given on the recommendation of the Advisory Committee were restricted over £6,000,000 remains untouched. By the terms of the Act and the instructions of the Treasury the Committee has hitherto felt compelled to limit its recommendations to enterprises in which there was little or no risk of the guarantee ever being called on. The only effect of the guarantee in such cases has been to enable money to be obtained at a lower rate of interest. Between investments which are almost gilt-edged and those which are purely a gamble there is a wide intermediate class, which include a certain speculative element of the kind that in normal times investors would readily enter into through the ordinary channels. It is a matter worth serious consideration whether Parliament should not be asked to extend the usefulness of the Trade Facilities Act Advisory Committee by prolonging its term and allowing it more freedom to recommend guarantees to undertakings which have a reasonable, even though not a certain, prospect of success. The Committee would itself, no doubt, from amongst the applications which it has already received be able to select a number falling within this category.

# INDIA

## I. THE REACTION

TO those with long memories nothing is more remarkable than the intensity of the political spasms from which India periodically suffers. One such, in the Deccan, closed with the murder of Mr. Rand and Lieutenant Ayherst at Poona in 1897, and the subsequent conviction and imprisonment of the late Mr. Tilak, the stormy petrel of Indian politics. Another, which converted the whole of Maharashtra into an angry political camp and invaded every political, social and economic institution, terminated with the second imprisonment of Mr. Tilak in 1907. The third, which owed its origin to the partition of Bengal, and produced an extraordinary blaze of anarchical crime, was scotched by the modification of the partition in 1911, but persisted until the Local Government was able to deal with the revolutionaries under the special powers of the Defence of India Act. The last was the non-co-operation movement launched by Mr. Gandhi. Each of these spasms has been marked by the same characteristics—its intensity, its revolutionary, not to say its anarchical character; the suddenness with which it has subsided—at all events, temporarily—as soon as the principal protagonist or protagonists were deprived of the power to lead the agitation; and the almost baffling apathy of the reaction period.

So does political history in India repeat itself. It is difficult to identify the India of to-day with the country

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which was racked by political strife from the inauguration of the non-co-operation movement at the special session of the National Congress at Calcutta in September, 1920, until it reached its apogee with the murder of twenty-three Indian constables by a non-co-operation mob at Chauri Chaura in the United Provinces in February of this year. All mass movements in India are largely influenced by social pressure. Whilst words of peace were always on Mr. Gandhi's lips, acts of coercion were always manifested by his followers. The active manifestations of the non-co-operation movement were nearly always physical. The boycott of foreign cloth was enforced by the picketing of cloth shops, the seizure and burning of stocks in some cases, and the actual maltreatment of dealers in not a few. The hartals were powerfully enforced by terrorism. That pressure reached the height of the "unseen terror"—the term is that of an Indian Nationalist—established in Calcutta when the Prince of Wales landed in India; it was expressed in the bloody Bombay riots. The temperance movement was maintained by picketing, in large part by hired bravos paid by the day. The National School movement was inaugurated by frightening children from Government schools before there was any alternative institution to carry on their instruction. The threat of civil disobedience hung over the country; the community was kept on tenterhooks with the threat of a no-rent and no-tax campaign, which in the conditions of India, if in any degree successful, could only lead to a prolonged and violent conflict between the party of disobedience and the authorities, and destructive confusion. For nearly a year India was in a state of suspended revolution, punctuated by actual outbreaks of revolutionary activity in Malegaon and Malabar, in Bombay and Chauri Chaura. Over Northern India hung the menace of the fanatical racialism of the Sikh Akali movement in the Punjab, and the agrarian discontent which developed into the Aika agitation in the United Provinces.

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All that has changed almost in a night. The hartal mania is extinct. Few speak of mass civil disobedience, except to denounce it as useless, dangerous and impracticable. The militant Akali movement amongst the Sikhs, which was terrorising the Province and the adjacent territories, has collapsed under the vigorous measures taken by the Government on the morrow of the departure of the Prince of Wales. The agrarian discontents in the United Provinces have been salved by a Rent Act. Liquor shops are no longer picketed, foreign cloth is sold in security, and the trade in it has markedly revived. Political agitation has suffered a severe eclipse and has fallen into hands commanding no considerable measure of public esteem. Men go about their business with their heads erect, and are making busy plans for the revival of industry and trade, which seems to be in sight. The abundant harvest of last year has reduced the cost of living, and the satisfactory progress of the present monsoon rains has confirmed confidence in the economic future. Over the greater part of India to-day there is something very near the political peace of stagnation.

If we seek for the causes of this remarkable change, we find them, in the main, the expression of three factors. The Indian is not a politically-minded man, and India has no general political tradition. It passed from one autocracy to another, until it came under the British bureaucracy; the remarkable band of Indian publicists who laid the foundations of Indian political growth in the early 'eighties, and who had a real *flair* for politics, has passed, leaving no successors. One painful consequence of this condition is that politically India can only learn by experience. Every acute political agitation has to spread and intensify, until it reaches the ultimate stage of active disorder, before public opinion will react to authority in suppressing it. Whilst the widespread arrests made in Bengal and the United Provinces in December and the following months produced a certain temporary surge in favour of the Non-



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co-operation party, the movement had induced a state of oppression and disturbance which distilled its antidote in a reaction before the actual arrest of Mr. Gandhi. Here, too, we must always remember that in a country like India, where poverty is so general that if you ask a poor man how many there are in his family he will tell you how many "eaters" there are, economic forces powerfully affect the political situation. The economic forces which pressed so hardly on India were outlined in *THE ROUND TABLE*\* for June; by the beginning of the year the acute depression had passed. The second factor is that politically India, for all its nominal reverence for representative institutions, always thinks in terms of despotism. The late Mr. Tilak was, in his palmy days, the autocrat of the Deccan, and brooked no other king of Brentford near his throne. Mr. Gandhi exercised the sublime autocracy which can only be associated with a very simple spirit. At the crisis in its affairs—the Ahmedabad Congress of 1921—the Congress, which its supporters maintain is the sole repository of Indian opinion, vested him with the full powers of a dictatorship. More recently, beset with criticisms of the *khaddar* (hand-spinning) campaign, the Congress Committee could find no other solution than to give plenary powers to a *Marwari* from the Central Provinces and a hundred thousand pounds to spend. Whilst this spirit of despotism gives Indian politics an extraordinary directness and nominal solidarity whilst it lasts, it necessarily connotes an unprecedented collapse when the despot is deprived of his powers. Whilst for the time Mr. Gandhi's tremendous popularity carried all before it, Provinces with a long political tradition, like Bengal and Maharashtra, were never easy under his control; they have taken the first opportunity of declaring their virtual independence in politics. Thirdly, the East must have a Government—however constituted—which will govern. The special difficulty of the British administration is that if it desires the support of public opinion, it must

\* *THE ROUND TABLE*, No. 47, June, 1922, p. 615.

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in time of political excitement wait until the community is aroused before striking. The Governments in India waited long and patiently, but when they struck they hit hard, and did not hesitate to cut down the tallest poppies. The result is a paralysis so dramatic that those unacquainted with the history of Indian politics cannot understand it.

During this lull—for no one believes that it is much more than a lull—men of all shades of opinion are casting their thoughts into the future. What is to be the action of the most dynamic element in Indian politics—the Extremists, by whatever name they are called—and what is to be the course furrowed by the Government of India ?

The most vocal element in India to-day is the Congress party. The Government of India, and the Provincial Governments for the most part, between the sessions of the Legislatures go into Secretariat cold storage. There is no campaign of Ministers to keep the country in touch with their thoughts, actions and policies ; there is no Ministerial Press ; the people see very little of what Government are doing beyond a routine administration which is chiefly associated with higher taxation, and know nothing whatsoever of what they are thinking. Lord Reading is to inaugurate the next session of the Imperial Legislatures in September ; but meantime Government is, in Sam Weller's phrase, dumb as a drum with a hole in it. The members of the Legislatures, where they are not busy on the innumerable committees which are perambulating India, show no anxiety to meet their constituents and educate them in the work of the Councils; yet they must educate the voters or perish politically at the next elections. The non-co-operators, certainly as reflected in the proceedings of the National Congress, are even more sorely perplexed.

Before he passed into a confinement which has been made as easy as conditions permit, Mr. Gandhi left his followers a political testament embodied in what is called the Bardoli programme. This programme was framed when, appalled by the lessons of the tragedy of Chauri

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Chaura, he abandoned the mass civil disobedience which was to have been launched at Bardoli. The principal heads in that programme may be thus summarised: To enlist ten million Congress members; to popularise the spinning wheel and organise the manufacture of hand-spun and hand-woven *khaddar* (coarse cloth); to organise national schools; to organise the depressed classes for a better life; to organise the temperance campaign amongst the people; to organise village and town *punchayets* (councils of elders for the settlement of disputes); and to promote unity. But so evanescent is the support of the Indian democracy that Mr. Gandhi, the dictator of December, had to submit to the rude overhauling of this programme at a meeting of the All-India Congress Committee at Delhi towards the end of February. A good deal of secrecy marked the proceedings at Delhi, but it is understood that, against the wishes of Mr. Gandhi, the right of individual civil disobedience was claimed and conceded, as well as the independence of the Provincial Congress Committees. However, as lip service was paid to the Bardoli programme, we may pause to consider what progress has been made with it. *The Indian Social Reformer*, in a recent issue, declared that temperance propaganda, as required by the Bardoli-Delhi programme, has made little headway; the *Andhra Khaddar*, so much advertised, is said to be largely woven of mill, if not foreign, yarn; the Congress party itself is divided keenly as regards the wisdom and efficacy of persisting in non-co-operation, which has been rendered practically obsolete by the march of events. That opinion is valuable, because the editor of *The Indian Social Reformer*, one of the highest-minded Indian publicists, is that terrible individual, the candid friend. He was the severest critic of Mr. Gandhi's non-co-operation panacea; he is a recent adherent to the Congress, and one of Mr. Gandhi's most devoted present worshippers. We can judge of the force of the National School movement from the experience of Surat. This

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district, and in particular the Bardoli *taluka*, was deliberately selected for the inauguration of the mass civil disobedience movement, because it had advanced farther than any other part of India along the preparatory path. The district magistrate recently declared in a public speech that fifty-three National schools have been closed in the last few months, and not a week passes without additions to the list of de ceased schools of this type. Only last week that at Bardoli, the headquarters of the *taluka* which was to give the lead to the whole of India, was finally closed after leading a moribund and struggling existence for some months. As for the campaign against untouchability, long before Mr. Gandhi turned his attention to this issue there was a band of devoted workers amongst the depressed classes, organised in the Depressed Classes Mission. Last week the principal missionary in this organisation, a man who has given his life to the work, publicly complained of the futility of the measures so far taken to remove the curse of untouchability. "It has now become the fashion at every political and social gathering to pass resolutions which ended in nothing but smoke. Mere lip service was even worse than an insult."

In this atmosphere of depressed stagnation the All-India Congress Committee and the Central Khilafat Committee met at Lucknow in the first week of June to consider their line of action. Shorn of their popular glories as these bodies are, they still represent the only active political organisms in the country. Both expressed their adherence to the principle of civil disobedience. A rigid secrecy, which evoked the most unpleasant comment from their supporters, marked the proceedings of both bodies, but in the published reports the Khilafat Committee declared that it "is of opinion that civil disobedience is eventually unavoidable"; and the Congress Committee "that civil disobedience will have to be undertaken to enable the country to enforce its demands." But there is no secrecy in India, and from the pages of non-co-operation news-

## Non-Co-operationists and Coming Elections

papers it is possible to glean the inner history of these discussions. Very strong differences of opinion were manifested, and the committee, in the terms of one zealous non-co-operationist, weakly yielded to a few restless spirits in the country that clamour for the revival of not merely individual civil disobedience, but of mass civil disobedience. It has been acidly remarked that in this difficulty the Congress Committee faithfully imitated the action of all Governments—it appointed a committee. This committee has begun to tour the country under the presidency of Hakim Ajmal Khan of Delhi, a respectable but uninspiring personage driven into political outlawry by resentment against the treatment of Turkey, for the purpose of ascertaining what is the opinion of the Provinces, and it is conducting its proceedings in camera, a procedure which has provoked further acrid comment. *The Indian Social Reformer* declares that “if the inquiry committee does its duty faithfully, as we have no doubt it will, there can be no doubt as to what its conclusions will be.” Nobody treats this threat of civil disobedience seriously—unless there arises in the interval some issue of general concern which will inflame the country against the Government. It will not be attempted; or, if it is attempted, it will result in a dismal fiasco.

### II. THE NON-CO-OPERATIONISTS AND THE COMING ELECTIONS

**U**NDERNEATH all the hot-air talk of civil disobedience, either individual or mass, behind all the deference paid to outworn shibboleths because men have not the moral courage to discard them or the resolution to tear down their moth-eaten banners, there is only one real issue before the advanced Indian politician—whether or not to seek entry to the Legislatures on the first opportunity. It has gradually dawned on the extremist politician

that the greatest tactical blunder Mr. Gandhi committed, and one which stamps him as lacking in *le sens de la politique*, was his boycott of the Councils at the first elections. In the then excited condition of the country the Non-co-operation party could have attained a success at the polls which would have placed them in command of the Legislatures. They could have utilised this power either to mould policy according to their ideas, or to wreck the Reform Scheme altogether by pursuing an intransigent attitude; in either case their action would have been infinitely more effective than a nihilism which did not prevent the Councils from being manned by substantial men, Ministers from being chosen from amongst the ablest publicists in the country, and the Councils themselves from doing a large amount of constructive work and establishing a valuable constitutional tradition. The experience has been hardest on those men who, having some experience of Indian politics, sulked in their tents because the Reforms did not give all they asked. They have found the power and influence which could have belonged to them pass to the new men who had the courage to enter the Councils. The non-co-operator will not touch them with a barge pole, and they have passed into the political obscurity of Adullamites. The extremist finds himself beating the air, when in the Councils he feels he might have beaten the Government to some purpose. This feeling is strongest in the Maratha country, which has a political tradition and is faithful to the Tilak plan of campaign of embarrassing, not only Government, but every political and social institution which stands in the way. In what claims to be an expression of the views of the extremists of the Deccan there is this revealing passage: "It is becoming increasingly evident day by day that one little act of non-co-operation within the Council chamber will further the cause of the Congress far more effectively . . . than hundreds of meetings outside it." At the next elections, in 1923-24, the extremist politician all over India will seek entry

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into the Councils, and will succeed in many of the constituencies.

Then there arises the pertinent issue: In what spirit will entry to the Councils be sought? What tactics will be pursued by the extremists who gain admission? If we are to judge from their published views, the extremists will enter the Councils only to wreck them. Quoting again from this semi-authoritative expression of extreme Deccan politics, the attitude is thus defined:—

In my judgment, the time is come for either mending or ending the Councils. As there is no reasonable prospect of getting them mended on satisfactory lines in the near future at the hands of the British Parliament, the only course open to the Congress is to wreck them. The Councils form and constitute the greatest rival to the Indian National Congress; and unless and until their prestige and glamour are directly and substantially damaged and impaired, the Congress would not be able to leave its permanent impress upon public mind and imagination.

To swamp the Councils and to follow there the methods of obstructive non-co-operation will throw open to non-co-operators new fields for fighting the bureaucracy with its own weapons, will school the electorates in the arts of civil and constitutional disobedience, and will embolden them to embark upon a policy of non-payment of taxes with a view to secure the desired object.

These are *prav 'orts*, but they need to be taken with more than the usual grain of salt. They emanate from men who, having boycotted the Councils, have now to make public confession of their error. It is an appeal to constituencies debauched and demoralised by extravagant abuse in the non-co-operation campaign. The country is weary of nihilism, and is intensely anxious to get things done. There is solid ground for the belief that, whatever may be said on the hustings, the extremist will think several times before committing himself to the sterility of mere obstruction in the Councils. And if he does, the Non-Brahmans who control the administration in Madras, and the Marathas and Lingayats of the Bombay Presidency, with the representatives of the special constituencies, will not docilely bow

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their heads in the House of Obstruction. The view of the wiser heads in the Congress Party was admirably expressed by *The Indian Social Reformer* :—

What we want to urge here is that “since the fireworks of non-co-operation have been laid aside,” what objection is there to lay aside the most blazing of them—the abstention from entering the Legislative Councils? We are not speaking of entering them with the set purpose of obstruction. The Councils can find means of dealing with deliberate and unprincipled obstruction at the cost of the country’s time and resources. More than that, every act of ours has a subjective result generally far more serious than any objective one that it may or may not have. The subjective reaction of obstruction is detrimental to the capacity for high endeavour at all times. The morale of the obstructor for obstruction’s sake is sure to be ruined whether or no his obstruction leads to any other result . . . We say that Congressmen should go into the Councils and work there as well as outside to advance the Bardoli programme, which is the only programme before them.

Taking the longest view we can of Indian politics, and surveying the field during a lull in political activities so complete that many cannot understand it, though it is no new feature in our recent history, we may assume that though there may be some revival of civil disobedience, the real issue between the Government and the forces of extremism will be transferred from the platform to the Legislatures after the next elections.

India. July 20, 1922.



# CANADA

## I. CURRENT POLITICS

PARLIAMENT has been prorogued, not to meet again until January; and though intelligent observers have described Canadians as a politically-minded people, a seasonal listlessness of interest in politics invariably follows the retirement of the parliamentary forces to summer quarters. Canada's domestic problems are so pressing, and her external relations and responsibilities are still felt to be so restricted, that when policy has been defined by Parliament there is little in Ministerial administration during recesses to arouse very intense interest, unless unlooked-for circumstances arise which intimately and urgently concern the public. This is not to say that there is not a great deal of private thought and personal discussion; but the sustained concentration of national intelligence upon political problems, especially foreign ones, which is possible in other countries, is extremely difficult in Canada, by reason of conditions which often have a similar result in the United States. Isolation, extent of territory, dispersion of population, diversity and sometimes antagonism of sectional interest, are formidable obstacles to the formation of public opinion. Parliament at least reduces these obstacles. Hence a greater general interest in politics while it is sitting.

The Government has survived its first session, not by reason of its own strength or through any widespread enthusiasm for its policy, but because at the moment no other party or group is able to take its place. In fact, on

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the only occasion when its existence was really endangered, when its Budget proposals were carried by a majority of only eighteen, there is said to have been apprehension among the Conservatives and Progressives as to whether a sufficient number of the latter would vote with the Government to sustain it. A Government regularly supported by only a minority will attempt no forays. But the present one, in addition, is deficient in qualities of leadership and the arts of persuasion. With the confusion of political opinion, the existence of groups, the uncertainty of party allegiance, and the urgency of national problems, there never was a House which presented such opportunity as the present one does for the influence of character and candid advocacy. This opportunity the Government did not seize. Several major Government measures, including the financial proposals, were radically altered after introduction; and their final form was often the result of manœuvre and "log-rolling" engaged in by parties, groups and interests in the House or its committees, and sometimes even outside both.

The chief problems dealt with by Parliament were economic ones, and at present these are of vital importance. They may be classified under the three heads of national finance, freight rates, and wheat marketing.

As was prophesied in the last number of *THE ROUND TABLE*,\* the Budget contained no surprises, and, though its principles were criticised, its general provisions were not really opposed. The Conservatives denounced the Government for a complete repudiation of its pre-election promise to revise the tariff in general downwards, and to wipe out duties on specified articles of common use. Certainly no attempt was made to do this in the Budget, nor is a Government of which Sir Lomer Gouin is a member likely to make any such attempt; so while Mr. Meighen might, and did, complain of the Government's duplicity, he could not, and, except in details, did not, complain of its measures, which largely continue his own policy. In fact, his suggestions

\* *THE ROUND TABLE*, No. 47, June, 1922, p. 646.

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were practically all adopted by the Government, and if the principle of protection is, as the Progressives have claimed, a national issue, Mr. Meighen and his followers should be united with Sir Lomer Gouin and those—the great majority of the Liberals—who think as he does, instead of being opposed to them. Far from contemptible prophets insist that this union will soon be effected; meanwhile, the Conservatives have to be satisfied with a reputation for consistency. That of the Progressives has been preserved by the fact that they are not responsible for finding ways and means of raising revenue, though had they been in office they might have given some earnest of their intention progressively to reduce the tariff. They received not the slightest indication that this is the intention of the vast majority of the Liberals. The cynic may take his own view of the value of party platforms; anyway, he will be profoundly convinced that they are inexpedient.

The Budget provisions involved no radical changes. A slight reduction of the general tariff on agricultural implements and a  $2\frac{1}{2}$  per cent. increase of the British preference on some other articles is a mild and unsatisfying sop for advocates of tariff reduction. Increased taxes on cigars, cigarettes and tobacco will doubtless produce additional revenue, though they may restrict sales; the increase of the general sales tax is counted upon for a profitable return, but it can hardly help towards a reduced cost of living. The increase of the stamp tax on cheques from 2 cents on each cheque to 2 cents on every \$50 up to \$5,000 and the 1 per cent. tax on banknote circulation should produce substantial sums. In the last number of *THE ROUND TABLE*\* it was pointed out that we have probably nearly reached the limit of taxable capacity. This year's increase of taxation will be a burden, but the declaration of the Minister of Finance that we must pay our way as far as we can received general support; even yet he may have to do further borrowing.

\* *THE ROUND TABLE*, No. 47, June, 1922, p. 647.

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The fixation of railway freight rates always presents a problem of great complexity, and in a country of vast distances like Canada, where transportation costs are so large a factor in ultimate prices, excessive rates may strangle trade. There has been almost universal claim by business that the present rates are so high as very greatly to retard recovery, but the heavy deficits on the nationally-owned railways have caused timidity about the result of any extensive general reduction. Rates have for twenty years been under the unfettered control of the Board of Railway Commissioners, but when, in 1918, the increases under the McAdoo schedule of railway wages became effective in the United States and were inevitably followed immediately in Canada, the Board found its power to increase rates restricted by the existence of the Crow's Nest Pass Agreement. This is a statutory agreement made with the Canadian Pacific Railway in 1897, whereby, in consideration of a Government subsidy, rates on "basic commodities"—grain, potatoes, fertilisers, forest products, iron products, and building materials—were never to be higher in the West than a specified scale. The Government, by Order in Council under the War Measures Act (the Canadian D.O.R.A.), then suspended the agreement, and the Board ordered substantial general increases of rates during 1918 and again in 1919, when the suspension was statutorily continued for a period of three years, expiring on July 6 of the present year. In 1921 there were two general reductions ordered, the first of 5 per cent. and the second of 10 per cent. ; but, as has been said, there has been a wide demand for further reduction. This demand has been specially insistent from the West, where prices of agricultural products have fallen heavily by reason both of deflation and the closing of the American market through the increased tariff on those products. The West, therefore, opposed any further suspension of the agreement ; but the Canadian Pacific claimed that its revival would mean a reduction of \$14,000,000 in earnings, of which sum \$7,000,000 would be

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attributable to the reduced rates on grain. The situation was further complicated because concessions to the West would involve some to the East, with a further reduction of railway earnings and a possible increase of deficits on the nationally-owned properties. The Government referred to a committee the question whether the agreement should, from and after July 6 of the present year, be abrogated, altered, suspended or revived ; and though the committee provided a forum for airing Western claims and railway fears, its proceedings were really a diaphanous curtain hung before the real drama : a contest between the West and the Canadian Pacific for the Government's soul—or its body, if Governments want souls—in which the Western members threatened Parliamentary obstruction to force the Government to adopt closure if it desired to support the railway's position. The result was a compromise : the suspension of the agreement is continued for a year, with the exception of the rates on grain, which are the chief interest of the West in the matter. The Western members have gone home satisfied with this result, and as their position is said to have been supported by some Liberals rumours have been revived that the junction of Liberals and Progressives, which failed to materialise last December, may again be attempted. What Sir Lomer Gouin thinks of this possibility is another story. He is reputed to hold in his hands the political lives of a number of Liberals greater than any accession the Progressives could bring, and if he withheld them the rump of the Liberals might find they had gained nothing by the exchange. The Progressives, if they desire an alliance, may find that they must jettison their political profession of faith and accept Sir Lomer Gouin's terms.

*Nous verrons.*

On the fulfilment of their demands for the nationalisation or the grain trade the Progressives cannot honestly congratulate themselves. In 1919 there was established by Order in Council, under the then still existent War Measures Act, a Board which had compulsory power to

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take, hold and market the entire Canadian wheat crop of that year. The Board fixed an initial sum per bushel, which was paid on delivery to every producer who transferred wheat to its agents, and issued participation certificates entitling him to his proportion of the balance of the total return from sales, after the initial payments and the cost of administration had been deducted. Chiefly owing to the ability of its chairman, the Board worked entirely to the satisfaction of the producers. As a result of the dislocation of the war period, foreign demand for wheat was heavy and its price high; and, by reason of its financial power to withhold or sell as the market fluctuated, the Board was able to make satisfactory bargains and to pay substantial amounts on the participation certificates. This power of the Board, which is not possessed by individual producers, was the real basis of the demand for its re-establishment. The Western wheat harvest comes in August, and the producers' financial obligations fall due on November 1. To meet these obligations the producers claim that they are forced to throw their wheat on the market during the intervening period irrespective of the prevailing price, and thereby to glut the one and depress the other, and that subsequent higher prices are paid by the consumers for the advantage of speculating middlemen. In 1920 the Board was not re-established, and the sale and distribution of wheat returned to the hands of the grain trade. In 1921, when prices of agricultural products had begun to decline, there were some requests for its re-establishment, but they were not acceded to by the Government; however, the continued decline of these prices—partially, at least, due to the new American tariff—provoked fairly unanimous Western demand for re-establishment of the Board. The constitutional power of Parliament now to establish a Board with the compulsory powers possessed by that of 1919—powers which might, had they been then challenged, have been defended as being exercised under war legislation—was denied by the law officers of the

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Crown, who, however, advised that Parliament could create a Board with compulsory powers in matters within Dominion jurisdiction, and that Provincial legislatures desiring to do so could endow it with compulsory powers over property within their territorial jurisdictions. The present result is that Parliament has provided for the creation of a Board which is enabled to commence operations if and when any two Provinces confer on it powers, without which it cannot effectively act at all. But the former Board was effective, apart from the factors of a heavy demand and a skilful—not to say lucky—forecast of a rising market during its operations, because it had complete control over the total Western product and was backed by the credit of the Dominion. It appears probable that the present one, if it is created, can secure control only over the crops of two of the three great wheat-growing provinces—Alberta and Saskatchewan; for the Manitoban legislature has been dissolved, a new one will not be elected till mid-July, and it could hardly meet before the crop has commenced to move. So that it is doubtful whether, even if the requisite powers are conferred on the Board by the legislatures of Alberta and Saskatchewan, it could act with the Manitoba crop subject to the ordinary methods of trading, since success depends on there being no extraneous trading which could interfere with the Board's control of the market. It is also questionable whether the provinces will be able and willing to finance the Board's operations. The financial responsibility rests upon them; their command of credit is obviously not equal to that of the Dominion; and the advances required will be very large. It is therefore possible that this effort to nationalise the marketing of wheat will be still-born. Perhaps a voluntary co-operative pool founded on mutual contracts of producers, like that of the Californian fruit-growers, may prove to be the best solution of a difficult problem.

# Canada

## II. DEFENCE

IN Canada, as elsewhere, the expenditure on national defence has lately been the subject of criticism, with the result that the appropriations just made are, notwithstanding the depreciation of the unit of currency to two-thirds of its pre-war value, actually less than those made in the spring of 1914. As introduced, they slightly exceeded the last pre-war appropriations, but they were cut down in the House of Commons.

Immediately upon the organisation of his Cabinet last December, the Prime Minister announced that he proposed to amalgamate all the defence departments into one Ministry of National Defence, and a Bill for this purpose (the National Defence Act) was among the earliest of the measures introduced into the House of Commons. This Bill was in charge of Mr. George P. Graham, who, in anticipation of the amalgamation, had been entrusted with the three portfolios of the Naval Service, Militia and Air. It suffered a good deal of change in its passage, particularly in the Senate, which inserted a provision by which the Act is to come into force only upon proclamation, but it will not, when proclaimed, make any very radical change, nor would it have done so if it had been passed in the form in which it was introduced. The Act does not, and was never intended to, alter the pre-existing statutory provisions of the Naval Service Act, the Militia Act, and the Air Board Act, which authorise the establishment and provide for the organisation, discipline and command of the sea, land and air forces respectively, so that the amalgamation is of administrative rather than of military significance. Its necessary effect is, in fact, almost limited to the substitution of one for a possible three political heads for the departments affected.

Of these departments, that of Militia and Defence was, as its name indicates, originally charged with the defence of



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Canada generally. The Department of the Naval Service was established only in 1907, and it was not until 1919 that the Air Board was constituted. During the war Canada had no Air Force. Recruitment was authorised and carried on in Canada by both the Royal Flying Corps and the Royal Naval Air Service, and later by the Royal Air Force. More than 13,000 Canadians of all ranks entered the air service in this way, but until the armistice there was no statutory provision for the regulation, as distinguished from the prohibition, of aviation. No Air Force had been established and no department had been given any jurisdiction to oversee or conduct aerial activities. At the time of the change of Government last December, the Air Board was therefore the youngest of the departments, but during its short existence it had put into force and effectively administered regulations for the control of private and commercial aviation, had organised a non-professional Air Force with a substantial establishment, and in most of the provinces had undertaken civil air operations, chiefly for surveying and forest patrol duties. The total appropriation for its work during 1921-22 was \$1,650,000, divided almost equally between air force and civil purposes. The Department of the Naval Service, the next junior of the three concerned, had in that financial year an appropriation of \$2,500,000, out of which, in addition to performing certain survey duties, it maintained the cruiser *Aurora*, two destroyers and two submarines, provided for the Royal Canadian Naval College at Esquimault, operated some fishery protection vessels, and trained the officers and men of the Royal Canadian Volunteer Naval Reserve. The appropriation for the Department of Militia and Defence, which alone of the three dates back to Confederation, was \$12,563,000, more than three times as much as was allotted to the other two departments together. Of this amount about half was applicable to the maintenance of the staffs and the permanent force, and about a fifth to the non-permanent militia. Out of the remainder provision was made for the

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Royal Military College (\$350,000), for the operation of the two arsenals, and for engineer services, stores and other incidentals.

As presented to the House of Commons (and adopted), the current year's estimates for the Naval Service were reduced from \$2,500,000 to \$1,500,000, and those for the Air Force from \$1,650,000 to \$1,000,000, reductions which will probably involve the laying up of the ships, the closing of the Royal Canadian Naval College, and the temporary suspension of the training of the personnel of the Canadian Air Force. The militia estimates as brought down did not substantially differ from those of the preceding year. Their total was \$11,413,977, nearly three-quarters of the reduction of \$1,149,123 being subtracted from the appropriations for the permanent force, and nearly another quarter from the vote for the arsenals, of which it had been decided to shut down one. In the House of Commons, however, criticism was directed against the proposed appropriations as being still excessive, and a proposal was made from the Government benches by Major C. G. Power, M.C., who had served with distinction overseas, to reduce by \$1,100,000 the \$1,400,000 proposed to be granted for the training of the non-permanent militia. He contended that this training was too short to be of any value, that there was no external danger for defence against which it was necessary to make preparations, and that there was no money to waste on anything unessential. During the debate it clearly appeared that there was a strong feeling in favour of reduction among Major Power's fellow-members from the Province of Quebec and among Progressive members both from Ontario and from the West. On the other hand, the Government's proposals as originally brought down were strongly upheld by the official Opposition. Mr. Meighen himself and Mr. Mewburn and Mr. Guthrie, two recent ex-Ministers of Militia, while suggesting the possibility of useful economies on other items, expressed strong opinions against the advisability of reducing the provision

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for the training of the non-permanent militia, pointed out the value of its services in the organisation of the Canadian Expeditionary Force, and emphasised the duty of Canada, as an integral part of the British Empire, to bear its share of the burden in maintaining the peace of the world. During its course the debate was adjourned and a Government caucus held, after which the proposed appropriations were amended by distributing among several of the items a total reduction of \$700,000, the item specifically attacked being cut by \$400,000. Major Power alone of the dissentient Government members expressed himself as still dissatisfied, and there was no division.

As finally adopted, the total of the appropriations for all three departments is less by nearly \$3,500,000 than for the previous year, and less by upwards of \$250,000 than the sums appropriated for two of them in the spring of 1914. The Minister expressed the hope that further economies would result from the amalgamation of the departments, but in spite of this there were several suggestions that the estimates for next year should undergo a further radical pruning, and the compromise actually arrived at on the militia appropriations was probably in some measure based upon the consideration due to a Government which had had to prepare estimates and meet Parliament within little more than two months after its formation. As the suggestions for further future reductions came both from Government and Progressive members, it is not impossible that they will receive attention when next year's estimates come to be prepared.

The psychological background of these events is fairly obvious. As Napier said, "War tries the strength of a military framework; it is in peace that the framework itself is formed." A framework, military or other, implies a plan, and in every State which, in time of peace, makes expenditure on military preparations, there is some generally accepted idea of a national interest to be served thereby. This idea governs the application of the money

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expended, and is more or less frankly put forward as the justification for the taxation involved. Sometimes the object is solely the protection of the home territory against invasion, as in the typical cases of Belgium and Switzerland; sometimes the safety of overseas possessions is at least an equally strong motive, as in the typical case of Great Britain. Always the statesmen formulate the national purpose, and the general staffs create the organisation adapted to achieve it, the purposes and plans of both being modified by joint consideration of questions relating to the amounts which can be made available and the degree of strength which must be attained.

The defence problem in Canada can be, and is (more or less consciously) approached from two entirely different points of view. To some it presents itself as a purely local question of the safety of Canadian territory; others can conceive it only, or at least primarily, in terms of Canada's partnership in the British Commonwealth. It is true that in individual minds these aspects of it are often confused, but men dominated by either to the exclusion of the other are really thinking on different planes, and find it difficult to understand the position or believe in the good faith of those to whom only the other aspect appeals. Each seems capable of separate analysis.

Thinking of Canada alone, the dominating considerations are geographical. Canada has but one neighbour, with whom she shares almost the whole of the North American continent. Relative to hers the population of the United States is approximately as thirteen to one, and the ratio of wealth is certainly no more favourable to Canada. The boundary line between the two countries is more than four thousand miles long, and for the greater part of its length is unmarked by any natural feature. Of Canada's population of eight and a half millions, about five-sevenths live within one hundred miles of this boundary, and even this narrow strip of occupation is not continuous. A break occurs between East and West, where, north of Lake

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Huron and Lake Superior, there are through five hundred miles of rock and forest almost no inhabitants except in isolated mining settlements and railway outposts. Imagine a Switzerland only a little more than doubled in population and extending a hundred or more miles in width round the western, southern and eastern boundaries of France and Germany together, from Ushant at the entrance to the English Channel to Riga on the Baltic. Although its inner boundary would be more tortuous and curved than that between Canada and the United States, in length it would be nearly the same, and the relative numbers, wealth and cultural and racial affiliations of the populations on the two sides of each would not be widely different. Assuming a break in the continuity of Swiss settlement between, say, the Riviera and Munich, and excluding from consideration all neighbours except France and Germany, it is obvious that such a Switzerland would neither conceive nor meet its problem of defence as the real Switzerland has done in reliance upon its compactness and its mountains. The paramount interest of this imaginary Switzerland would doubtless be assumed to be good relations with its French and German neighbours, and thus far towards a solution of Canada's relations with the United States most Canadians have gone. A centenary of peace between the two countries has recently been celebrated, and the long frontier is unmarked by a single fortification, a lack which, so far from causing uneasiness, is a subject of congratulation on the north almost as much as on the south side of the boundary line. The almost complete identity on each side of it of language, climatic conditions, mode of life, and, in a large measure, racial inheritance, works against differences which might tend to misunderstanding and jealousy. Danger of so acute a dispute with the United States as to lead to war comes within the mental horizon of so few Canadians that no public man could make it the basis of a defence policy, even if the soldiers could conceive practical and possibly effective preparations to meet it.

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There remain the two ocean exposures, eastern and western. Not many Canadians see any probability of any European power threatening its eastern seaboard, and if to the British Columbian's mind apprehension of trouble on the western is sometimes present, his concern relates to a rather distant future, and is allayed, if not removed, by the Washington treaties. If the coastal populations felt any real alarm, they might be able to persuade their fellow-citizens inland to undertake a naval programme, but unless their fears become much more specific and definite than they are, the emergence of a national policy based upon them cannot be expected.

Most Canadians are therefore content with the security of their isolation, and the defence of Canadian territory gives them no such concern as to make it likely that they could be persuaded, especially in a time of financial strain, to tax themselves to provide money for preparation to meet unknown and improbable dangers. Into their consideration of the subject the protective strength of the United States enters hardly perceptibly, if at all. That it would be highly inconvenient for the United States to have any European or Asiatic power secure a foothold in Canada they, of course, recognise. No reiteration of the Monroe Doctrine is needed for that to be appreciated, but the assumed inclination of the United States to prevent foreign aggression on Canadian soil has not, as things stand, the remotest effect upon any policy which Canada is likely to adopt in the future as predictable at present.

When we turn from the consideration of Canada's defence policy in its local aspect to the problem presented by her partnership in the British Commonwealth, we enter upon an entirely different order of ideas. The number of influential Canadians who hold strong views upon the subject is large. They sometimes support their views by appeals to loyal sentiment; sometimes they postulate a duty owed by a daughter to a parent State, forgetting that the members of more than one strong minority do not

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admit a blood relationship. There are, however, many Canadians in every province and of every ancestry who have a deep sense of the importance of the solidarity of the British Commonwealth and rate very highly its value to the peace of the world and consequently to Canada. These, as well as others actuated by more personal motives, would doubtless welcome a scheme for such co-operative military preparation as would insure the territorial and spiritual integrity of the Commonwealth and increase its power to preserve peace, but practical proposals looking in this direction are hard to formulate. Those who might make them find that there are political difficulties which have first to be met. They are called upon to answer questions as to when a decision for or against participation in a given war is to be taken, whether the policy of the Commonwealth is to proceed upon the assumption that Canada will take part in any war to which that policy may lead, and by whom the policy is to be formulated and directed. Other questions of the same tenor present equal difficulty, and while these political doubts are unresolved, the practical problems presented remain insoluble. Since it is impossible to construct a military framework without a plan, and no plan can be made until it is known in what kind of a war it is to be tested, neither Canada nor any other part of the Commonwealth can decide whether its purely co-operative effort should be directed to the development of land or of air forces, or whether it should devote itself to building up a navy. To move in any direction would probably involve some, and might involve much, wasted effort and money uselessly spent, at a time when budgets are far from easy to balance. Moreover, it is not to be supposed that any radical readjustment of imperial relations will ever be made by the unanimous consent of every party and group in Canada. The organisation of forces on any tentative footing for undefined activities directed to the attainment of unpredictable objects would naturally meet with determined opposition, not

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only from those who might oppose every scheme of readjustment, but from many who, if some specific scheme were put forward, might be inclined to support it.

Any fundamental change in the character of Canada's general defence programme seems to be unlikely until either the political ground has been cleared or the international sky shows signs of a possible storm from which it will be necessary to seek shelter. In the meantime, it is probable that the traditional policy will be pursued, perhaps laggingly, but with such activity as financial conditions are thought to justify.

Canada. July 18, 1922.



# AUSTRALIA

## I. THE FEDERAL POLITICAL SITUATION

THE final session of the Federal Parliament opens on June 26 and Ministers who have been conducting political tours in the various States, each one of which has been visited and treated to political orations, are very well satisfied with the prospects. While there are some causes of uneasiness, the possibility of a party split in one State, the hawk-like hovering of one or two independent supporters" on the flanks of the Ministerial party in Parliament, the sharpness of tone of a section of the Nationalist Press when discussing the Prime Minister—still, none of these is considered dangerous to the Government, either in respect of the coming session of Parliament, or the general election which must be held next year. And, after all, whenever was a political horizon without its clouds?

The session of Parliament prior to a general election is generally fruitful in surprises. Placards are then prepared and all the instruments of the political orchestra tune up for the coming performance before the expectant audience. Mr. Hughes and his experienced colleagues may be trusted to use the opportunity advantageously. Every effort will be made to add to a legislative record in which the Government takes some pride, if taxpayers derive from it little pleasure.

The session of 1921 was in the main a tariff session. In the handling of a complicated schedule containing 420 items, the Minister of Trade and Customs, Mr. Massy

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Greene, displayed a command of detail and an intimacy of knowledge of commercial processes, which strengthened his ministerial position : though it is interesting to remember that he served his apprenticeship in tariff construction, as one of the most indefatigable opponents of a schedule much milder in its protective incidence than the one for which he now took responsibility. Mr. Massy Greene seemed to understand everything in his tariff, and his method was, skilfully and not without some finesse, to explain and convince. He had even convinced himself, no inconsiderable feat, if he ever glanced at his former utterances.

The new tariff is accompanied by a measure establishing a Tariff Board, which is to watch the operation of the duties and make recommendations in regard to them : and by an Act for preventing dumping. This measure provides that if goods are exported to Australia at less than a "reasonable price," a special "dumping" tax should be charged upon them—namely, a duty equal to the difference between the price at which the goods were sold for export and a reasonable price. "Reasonable price" is defined as cost of production plus 20 per cent. The intention is to prevent the importation of cheap goods by raising their price through the effect of the special duty. When the farmers complain that the increased tariff hits them the Government is able to point to its wheat pool and its marketing arrangements for wool, sugar, butter, cheese, sheep-skins, rabbit-skins, rabbits and canned meats, which have effectively paid out over £459,000,000 to the producers of those commodities. The jam makers injured by the high cost of sugar, which they attribute to the sugar arrangements, now demand a jam pool. Probably they will get one. Marketing through Government agency on a huge scale is one of the consequences of the paralysis of Australia's over-sea commerce during the war. It is claimed that the financial salvation of the country was thereby assured. It appears probable that any exporting industry, labouring under temporary

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disadvantages, will henceforth approach the Government and ask for bureaucratic control of its marketing.

One of the questions which the Ministry has promised to bring before Parliament in its next session is that of unifying the railway gauges of Australia. A serious economic, as well as engineering blunder was made when the main lines were laid down in the 'fifties of the last century. New South Wales built her lines upon the "standard" 4 ft. 8½ in. gauge, whilst South Australia and Victoria built upon a 5 ft. 3 in. gauge. Later on Queensland and West Australia commenced building on a 3 ft. 6 in. gauge. The break of gauge impeding through traffic between the States has continued for nearly forty years to be a source of inconvenience to travellers and of loss to traders. Last year the Hughes Government appointed a Commission of experts to consider which gauge should be adopted as uniform, what engineering problems would be involved in the unification, and what would be the estimated cost, both with regard to trunk lines and all lines. The Commissioners supplied a reasoned recommendation of a 4 ft. 8½ in. gauge. To give effect to this conclusion there were two alternatives, the building of independent trunk lines in South Australia and Victoria, and the conversion of the existing trunk lines. The Commissioners preferred the latter method. The estimated cost of converting trunk lines from Brisbane to Perth—and also of all 5 ft. 3 in. lines in Victoria and South Australia—was £21,600,000: that of converting all lines to the 4 ft. 8½ in. gauge to £57,200,000.

The project is a large one—but the Hughes Government proposes to undertake it. Undoubtedly it is a work of supreme public utility: it is also politically a work worth authorising in the session preceding a general election. The railways being the property of the States, only with their assent and co-operation can it be undertaken. The Government proposes, subject to approval by the Commonwealth Parliament, that an agreement be entered into between the Commonwealth and the States, whereby there

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shall be constituted a Railway Council, which shall appoint an expert director of Unification of Railway Gauges. The director is to have entire control of the work and the expenditure. The expense of the undertaking will in the first instance be borne by the Commonwealth, which is prepared to make a beginning by financing the £21,600,000 scheme. Four-fifths of the money is to be reimbursed by the States—with interest on terms defined in the agreement. The estimate of time for this conversion is set down, at an extreme limit, as eight years, but the Commissioners furnish reasons for believing that it can be achieved in less. Incidentally, the report elicits the fact that “there is no country in the world with more railways in proportion to its population than has Australia,” the figures furnished to justify the conclusion being, Australia, with 4·99 miles of railway per thousand of population, Canada with 4·57, the Argentine with 2·68 and the United States of America with 2·59: though, to permit of a valid comparison, the superficial area served, as well as the population should be stated.

The Arbitration Court, and the entire legislative machinery upon which it is founded, is now being seriously challenged, and Parliament will not be able to ignore the demand for a radical revision. Employers chafe under its operation, whilst the trade unions flout its awards whenever it suits them to do so. The latest example is that of the shearers, whose organisation is the Australian Workers' Union. The Arbitration Court in May, after hearing evidence, made an award which the shearers did not like. Therefore, they threatened a general strike at the most critical season of the year, and presented a set of demands in advance of the rates awarded by the Court. The case is unsettled at the time of writing, and negotiations in progress will, it is hoped, obviate a very serious blow to Australia's principal industry.

The incident is typical of so much that has occurred in so many branches of industry, that numbers of people who

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were formerly warm friends of the Arbitration Court system are now convinced that it has failed. A symptom of this feeling is the formation of a Single Purpose League, with branches in all the State capitals—the single purpose being to abolish the compulsory principle in arbitration. The advocates of this policy do not desire to revert to conditions of no regulation in respect of wages, but they consider that the Wages Board method is preferable. A Wages Board for a particular industry in a particular place is, it is argued, in a better position to arrive at a fair determination than a judge making awards having an inter-State operation.

The question will be pressed forward during the coming session of the Commonwealth Parliament, and, unless Mr. Hughes is prepared to propose amendments of the Arbitration system which will go far to meet this section of public opinion, it is likely to be an embarrassing one at the next election.

The threatened split in the Nationalist party in South Australia has little of political principle in it. Several Nationalist members from that State were members of the old Labour party, and they left it with Mr. Hughes when the cleavage occurred on the conscription issue. They are now confronted with a "Liberal" opposition—that is, with a local party which is anti-Labour, but also declined to continue supporting those former Labour members, who are now Nationalists. If the movement should grow in South Australia it would certainly imperil two or three Nationalist seats. In all probability Labour candidates would slip in between Nationalist and Liberal opponents. The movement is being carefully watched by the Government. There is no sign of a similar cleavage, of serious proportions, in the other States: and in South Australia it is doubtful whether it means much more than that the reasonable political ambitions of a not very large though vigorous group are blocked by the continued occupancy, by former Labour men, of seats which might now be won

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by Liberals if those Labour men had not become Nationalists.

The Labour party also has its internal difficulties to hamper campaign activities. The recent expulsion of Mr. J. H. Catts, one of the New South Wales members of the House of Representatives, provoked some revelations concerning the machinery of the party, which indicate that continued membership of it requires either much dexterity or a very thick skin. Mr. Catts has since been busy organising an independent Labour Party—but his efforts have not been successful beyond New South Wales. Dissensions are, however, rife within the party, which is very ill-equipped for facing a general election. The new leader, Mr. Matthew Charlton, is without Ministerial experience, but his Parliamentary career has been marked by assiduity and critical ability, and he has gained the respect of men of all parties. He is not by temperament an extremist, but is a fair fighter for his political faith. But the best of leaders, in present circumstances, would hardly face the future in a very buoyant spirit. Mr. Charlton is probably nearer to the mind and temper of the mass of voters upon whom the Labour party relies than was Mr. Ryan. The Australian workman is no revolutionary, and the inclination of some newspapers to represent the extravagant and shrill utterances of a few wild men as typical is misleading and mischievous.

While the Government of Mr. Hughes is not free from perplexities, it is not at present very seriously menaced. The Nationalist split in South Australia is balanced by the Labour split in New South Wales, and neither may count for much by the time of the general election, when ranks will be closed up and the country will make its choice. Undoubtedly there is a large section of the Nationalist party which thinks that Mr. Hughes brought over from the Labour party too much of its political stock-in-trade. They are dubious about the extension of government activities, and distrustful of the Prime Minister's personal

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ascendency. It was hoped that the inclusion of Mr. Bruce in the Government as Treasurer would lead to a checking of these tendencies, and Mr. Bruce may prove to be a restraining influence. The general impression, however, is that Mr. Hughes has not much to fear.

### II. AUSTRALIAN DEFENCE

**I**N the course of a long pre-sessional tour the Prime Minister announced the proposals of the Commonwealth Government for the reorganisation of the Australian Defence Forces. The decision to make drastic reductions is supported by the Washington Agreements and by the consequent changes in the naval and military situation in the Pacific. But it is probable that the Conference was rather the excuse than the reason for the new policy, which must be ascribed to the imperative demand for economy rather than to any wide outlook on the general needs of imperial or even of Australian defence.

In 1909-10 Australia adopted a new naval and military policy. An Australian fleet unit of eight vessels was established, and a scheme of compulsory military training introduced which would reach a strength of 120,000 by 1919. In announcing his policy of reorganisation the Prime Minister quoted the following guarded opinion of the Council of Defence :—

In the judgment of the Council of Defence the nucleus proposed for the various branches of the Defence Force is the definite minimum upon which expansion, which would be demanded by a change in the international situation, could be made ; the Council considers that the limited measures it has recommended are only justified by the satisfactory results of the Washington Conference, which contain promise of prolonged peace in the Pacific.

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## Naval

After the Armistice the Australian Fleet Unit, less the two submarines which had been lost, but increased by H.M.A.S. *Brisbane* and three torpedo boat destroyers built in Sydney during the war, returned to Australia. Soon afterwards the R.A. Navy was further enlarged by the addition of a flotilla leader (H.M.A.S. *Anzac*) and five of the latest torpedo boat destroyers, six submarines (J. Class) and three sloops (mine sweepers) given by the British Government, as well as some auxiliaries. Quite recently H.M.A.S. *Adelaide*, a modern light cruiser, has been completed at Sydney, has undergone her steam trials, and is about to be commissioned.

In 1919 Admiral of the Fleet Viscount Jellicoe visited Australia to report on a future naval policy for the Pacific. In his report he advised the formation of a powerful far Eastern fleet of the Empire of which Australia's share was to be a fleet unit at least twice as strong as the existing one. Action on the Report was delayed pending the decisions of the Imperial Conference of 1921, and has now been postponed indefinitely in view of the Washington Agreement and of the consequent necessity of a further co-ordination of the imperial defence organisation.

The development of the Royal Australian Navy proceeded more or less normally up to 1921—one important improvement being the lengthening of engagement of its Australian personnel from seven years to twelve, through which it is hoped to obtain more "higher ratings" from Australian seamen than were forthcoming under the original term. In 1921 it began to feel the effect of the appeal in Parliament for economy, and H.M.A.S. *Australia* was soon after put out of commission and its ultimate fate is "scrapping" under the Washington Naval Treaty. Having been deprived of its capital ship the Australian



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naval fleet unit is for the time being dead—to be revived or not according to the decision of a future defence conference and the subsequent attitude of the Commonwealth Parliament.

Under the new defence policy the R.A.N. Fleet in commission will be reduced to three light cruisers and five torpedo boat destroyers of the latest type: apparently all the submarines are to be placed in reserve, and their crews distributed amongst the commissioned warships. The light cruiser *Brisbane* is to be placed in reserve. The 12-inch guns of the *Australia* are to be used in the coast defences of Australia.

The Royal Naval College establishment of naval cadets has been reduced to 48, and further yearly entries limited to 12. Some of its graduates serving in the Fleet are to be retired.

Further general reductions in the R.A.N. personnel are to be made: its strength at the date of printing was 4,429 (Permanent Force) and a naval brigade or Citizen Naval Force of 2,712, including 199 permanent staff. Presumably the reserves, which are liable to compulsory training of a militia type, will receive as little training as that described in the case of the Military Citizen Force.

Training establishments in Victoria are being concentrated at Flinders Naval Depot (Westernport) which last year became available for occupation. At the projected Henderson Naval Base, West Australia, nothing is being done except some exploratory work.

The actual Naval expenditure for the financial year 1920-21 was £3,006,184. For the financial year 1921-22 the estimated Naval expenditure is £2,867,000.

### *Military and Air*

On the military side the position has been, and will be, far worse. Since the beginning of 1919 the Citizen Force has had no training except eight days' camp training and

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four days' "home" training (*i.e.*, detached drills) in 1920-21 for the youngest *quota* of trainees, and eight days' "home" training for the next three older *quotas*, and, in the current financial year, merely four days' home training for each of the two youngest *quotas* and only three days' for each of the next three: further, its active strength and efficiency have been much reduced by the exemption from training of many thousands of its members who had served in the A.I.F.—an exemption, to which they were well entitled.

Hopes that the original scheme of compulsory training will be more adequately carried out were aroused in 1920 when the Prime Minister outlined to Parliament an admirable re-arrangement of the compulsory training system, which he recommended as a result of war experience. It provided for a training in the first year (18th-19th) of Citizen Force service of 70 days' continuous camp in lieu of the 16 days at present set out in the Defence Act, the subsequent yearly trainings—each of 16 days (of which 8 in camp)—to be reduced to three instead of the seven under the Defence Act. The total number of training days would have been on the average less than at present, but vastly more effective—*viz.*, 118 days for all arms instead of 112 days for infantry, light horse, etc., and 175 days for artillery and engineers, and the soldier would have been free of training at 22 years of age in place of 25, though he would have continued liable to serve in his unit in case of war up to 26. Both from a national and military standpoint the re-arrangement was much needed, but nothing has so far come of the proposal. The Prime Minister, though backed by his then experienced Minister of Defence (Senator Pearce), was apparently unable to carry his Cabinet with him.

Since then the Citizen Force has been organised, on the lines of the A.I.F., into two cavalry and five infantry divisions (one of the latter, however, being split up for the time being into three independent mixed brigades located

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far apart), the commands being given to distinguished ex-A.I.F. generals. Steps were also taken to induce ex-A.I.F. officers, N.C.O.'s and men to volunteer for service in these divisions, and give it the benefit of their war experience and leadership, and there has been a fair response from the higher ranks. In addition, an ample supply of latest pattern field guns, small arms, ammunition and equipment for these divisions is in store in Australia, thanks largely to gifts by the British Government.

In the current financial year it was proposed to give the two youngest *quotas* of trainees six days of camp training, in addition to that already mentioned, but upon Mr. Massy Greene, M.H.R., recently succeeding Senator Pearce as Minister of Defence, this training was cut out in order to save £122,000.

The future military and air policy is to be now on these lines. The divisional organisation of the Citizen Force is to be retained: but the strength of its units is to be only 25 per cent. of the normal war establishments. Compulsory training is only to be applied in populous areas, and light horse units are to be raised practically only by voluntary enlistment. All cadet training is to be abolished except that of senior cadets, aged 16 and 17, whose present training covers 64 hours yearly. In the Citizen Force only two *quotas*—those of 18–19th and 19–20th years—of compulsory trainees are to be trained instead of seven as at present, and the yearly training of each *quota* is to be restricted to six days camp and four days home. So the trainee will pass out of training at the age of 20. The utmost provision will be made for schools of instruction for officers and N.C.O.'s; but whether a sufficient strength and a suitable type of leaders will be forthcoming in a military force practically never emerging from the recruit stage is far from clear. The total strength of the Citizen Force in training will not exceed about 30,200 scattered over Australia instead of about 100,000 under Lord Kitchener's scheme, a military force, which by reason of the

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youth and limited training of its personnel, cannot be regarded seriously for service in Australia or anywhere else.

The Permanent Force, which supplies instructional and other staff and cadres, etc., and totals about 3,280, is to be correspondingly reduced, and Parliament is to be asked to provide some compensation for the officers retired, there being no military pension scheme as yet.

The Air Force is to consist of a flying school and air depot in Victoria and only a single flying squadron (also in Victoria) instead of the four squadrons formerly arranged for as the nucleus of the fighting force. Provision of the sea base at Sydney has been abandoned. Arrangements, however, are to be made for training of naval and military officers each year as pilots and observers, and pilots trained in the flying school for civil aviation will be required to register as reserve flying officers and be liable for defence service in war time. The Civil Aviation vote is to be increased. There is a considerable supply of modern aeroplanes in Australia, thanks to a gift of the British Government, but few, if any, of the latest type except in the case of seaplanes.

As regards munitions, the policy is apparently to subordinate the effective training of army personnel to the manufacture of munitions in Australia. While no one questions the desirability of Australia manufacturing her own supplies locally, it is an unfortunate necessity that this development should be pushed on at the expense of soldier training. Men without guns and equipment are, of course, useless as an army, but equally so are guns and equipment without trained soldiers to use them. It has been pointed out that for the large divisional organisation of the Citizen Force there is already an ample supply of needs in store in Australia; and the Prime Minister mentions that of the munitions manufactured by the existing government factories (cordite, acetate of lime, small arms, clothing, harness, woollen cloth) and, presumably, the ammunition factory (a public company) the supplies on hand very

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closely approximate to requirements. What, then, is there to prevent ample supplies of the further munitions needed (heavy guns, etc.) being obtained promptly from overseas to meet the probable needs of the next few years? If this were done how easy it would be to carry on concurrently both effective training of soldiers and a steady and sufficient development of local factories. The new defence policy is to devote £500,000 a year to the systematic erection of new munition factories, for which much of the machinery is already in Australia, as well as to the maintenance on a nucleus basis of those already existing and the new factories when complete, and also research work in munition problems.

The future of that most successful institution, the Royal Military College, Duntroon, which has now only 45 cadets on its roll, is at present uncertain, the Ministry remitting the matter to Parliament for discussion before coming to a decision, having announced its intention to remit.

The total Australian expenditure on defence (naval, military and air) is estimated for the next financial year at about £4,596,938—*i.e.*, under 17s. per head of the population, as contrasted with £3 2s. 6d. per head of the population of the United Kingdom (excluding the Irish Free State) for Home and Imperial defence purposes.

### III. PROPORTIONAL REPRESENTATION

**I**N view of the rapid spread of Proportional Representation in English-speaking countries, it is important that an analysis of its effects on each of the countries which have already adopted it should be made. In Australia two out of the six States, Tasmania and New South Wales, have adopted this system, but it has not so far penetrated either the Federal Parliament or the municipalities. Tasmania held its first election under P.R. in 1909, New South Wales in 1920. In the last month or two both States have held elections under the system.

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Australia has in certain respects acted as a pioneer in electoral reform, for example, with regard to the adoption of the secret ballot, and to a certain extent with regard to the extension of the franchise to women, and the adoption of minor reforms such as compulsory enrolment and compulsory voting. Although not actually a pioneer with regard to the reform of the electoral system itself, Australia has nevertheless indulged in a good deal of experimentation. A survey of the electoral systems of the various States shows that all of them have long since abandoned the old method of "first past the post" or "sudden death" which still persists in England. The four States which have not adopted P.R. have all adopted preferential or contingent voting, with single member constituencies, save in South Australia, which has multi-member districts. In Queensland alone is voting itself compulsory, but in Victoria and Western Australia contingent voting is compulsory if the vote is to be valid. The compulsory expression of preferences in voting for both Houses was enacted by the Commonwealth Parliament in 1919. The experience of Australia goes to show that preferential voting is no effective substitute for proportional representation, not merely because it does not secure the representation of minorities, but also because it does not even necessarily secure majority rule. In Queensland, for example, where voting is compulsory, though contingent voting is optional, the present Government has a majority in the House, despite the fact that a definite majority vote was cast against it in the elections. The elections to the Senate of the Commonwealth afford a particularly gross example of the failure of preferential voting to remedy the defects of what Ostrogorski in his *Democracy and the Organisation of Political Parties* refers to as the "majority system, that iniquitous and brutal system which confers all power on the half plus one of the persons voting." Each State acting as a single constituency elects three senators at each election. The result is that

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the swinging over of a few votes from one party to another, thus giving the latter a "half plus one" of the voters, completely disfranchises the first party. In the last two general elections the loss of a few votes by Labour giving it just under the half plus one, has almost completely disfranchised it in the Senate, where it is now represented by a solitary member.

The electoral experiments of the State of New South Wales are of particular interest in view of its adoption of P.R. The old "first past the post" system was amended in 1910 by provision for a second ballot in three-cornered contests where an absolute majority was not secured in the first ballot. The clumsiness of this method of securing a majority, and the inability of either the second ballot or of preferential voting to secure any representation for minorities, no matter how large they might be, opened the way to P.R. The ultimate adoption of P.R. was due to the faith and enthusiastic advocacy of a small group of members of the Nationalist party who prophesied no small instalment of the millennium in the shape not merely of minority representation but also of free elections, including the abolition of pre-selection, the weakening of party domination, and new life for the independent candidate. Labour, at first hostile, was won over to P.R. by its victory under this system in the elections of 1920. The Progressives (or Country Party), convinced that P.R. was for them as a minority party much the best avenue to Parliament, made it a leading plank in their platform. The 1922 election has still further consolidated the new system. The Coalition (Nationalists with a few Progressives) has received a comfortable majority of fourteen. The "true blue" Progressives have received their due representation. Labour, though well beaten, could not ignore the fact that it lost seats in the House only in strict proportion to its loss of support in the constituencies, and that under the old single member constituency system a similar loss of support in the constituencies would have

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inevitably meant a much greater loss of seats in the House. A few days ago the N.S. Wales branch of the Australian Labour Party rejected P.R. by a fairly large majority. The Conference was not open to the public and the reasons for the decision are not clear. But the decision cannot be regarded as the final voice of Labour on this matter. Despite some grumbling, and not a little disappointment at the non-arrival of the new millennium, the signs are that Proportional Representation has come to stay. Every electoral system creates its own vested interests, and P.R. is no exception. In each of the great parties there are a number of members representing districts in which under the old system their parties were in a permanent minority who if the old system were restored would immediately lose their seats. Between these self-interested members and the genuine converts to P.R. there is no necessary coincidence. But it is hard to detect any difference of degree between their respective enthusiasms for P.R.

With regard to the particular form of P.R. adopted, little need be said. The method is that of the single transferable vote operating in large constituencies returning three members in sparsely populated areas, and five members in urban areas. The method of transferring the surpluses and of allotting preferences is in all essentials the method advocated by the English P.R. Society. From the administrative point of view the system has worked without a hitch despite its newness and the enormous areas covered by some of the constituencies. From the point of view of the voter certain difficulties have been revealed. The absurd regulation which in the first election made a vote informal unless it expressed preferences covering every name on the ballot paper—sometimes as many as twenty for a constituency—resulted in an unusually high percentage of informal votes—namely, 9·69—whereas in the first election held under P.R. in Tasmania, where the expression of preferences beyond three was optional, the percentage of informal votes was only 2·86.



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On this point the Chief Electoral Officer for N.S. Wales in his Report on the 1920 election, makes the illuminating comment that whilst a large number of the informal votes "were correctly marked for the early preferences," in "a large number of cases the informality occurred after the ninth or tenth preference." In the 1922 election the compulsory expression of preferences extended only up to the number of seats to be filled for the constituency, with a resulting sharp decline in the number of informal votes.

It is when one comes to the deeper effects of P.R. that the real difficulty arises. It is easy to see that it satisfied beyond question the main claim of its supporters. P.R. does give proportional representation. It cures what Mill regarded as "the grand defect of the representative system"—namely, "that of giving to a numerical majority all power, instead of a power proportional to its numbers." P.R. ensures that in New South Wales and Tasmania organised parties shall be represented in the House in exact proportion to their support in the country at the moment of election. The old system in New Zealand has kept a party in power which in two successive elections received an actual minority of the votes cast. But what is the verdict of our limited experience on the confident assumption of devotees of P.R. that it would decrease the power of the party machine, destroy pre-selection, encourage independents and bring in "new men"? The verdict is doubtful—possibly because the experience is very limited. P.R. renders pre-selection entirely unnecessary as a method of avoiding vote-splitting. In one or two cases revolts against the party lists were successful, but the success was partly due to the running of "stunts" such as the sectarian issue. Party managers show no inclination to abandon the hold over candidates which pre-selection gives them. The candidates themselves scrambled for inclusion in the party bunch. The reason for this is sufficiently obvious. P.R. is the most satisfactory method of ascertaining public

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opinion *once it is formed*, but it is useless to ignore the fact that it increases the difficulties which individuals have to face in attempting to form public opinion. The number of people to be reached—by personal canvass, meetings, advertisement, etc.—and the distances to be covered are greatly increased (Sturt, the largest electorate in N.S.W., is larger than the United Kingdom, and more than eleven times the area of Belgium). Generally speaking, only the relatively wealthy candidate or one who is of outstanding personality can afford to forgo the sharing of expenses and the lessening of personal exertion which inclusion in a group makes possible. A candidature unsupported by an organisation may have an educative value, but its chances of resulting in a seat are not great. Five nominally independent candidates were returned in the last election in N.S. Wales. New men of any outstanding importance are conspicuous by their absence from the new House. But if the results of P.R. are disappointing in these respects, its advocates can point out that the old system gave no better results. It was just as much machine ridden; it did not encourage independents; the last years of its reign were marked by a deterioration in the personnel of most of the Australian parliaments.

If the hopes of the supporters of P.R. have not as yet been realised, neither have the worst fears of its opponents. One of the most common of these fears was that as a result of the minority representation guaranteed by P.R. any general opinion on national questions would be lost in an anarchy of conflicting groups. P.R., it was said, ensures the representation of minorities intent on sectional interests, at the cost of the compact majority intent on national interests. So far as it has gone the Australian experience does not support these theoretical objections. Quite apart from the advent of P.R. the reign of the two party system was already threatened in Australia, New Zealand and Canada by the advent of the Farmers' parties. In N.S. Wales and Tasmania P.R. has doubtless helped to

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establish and consolidate the Country party, but without P.R. it is no less firmly established in Federal Politics. Already the Country parties are beginning to hold the balance of power in Australian politics, as Labour held it a generation ago.

This brings us to a still more fundamental question—the effect of P.R. upon the relations of the legislature to the executive. The advocates of P.R. too often forget that in the British parliamentary system an election does not merely constitute a parliament, it also indirectly determines the strength and composition of the executive. If, as its critics affirm, P.R. secures a mathematically correct representation of interests at the expense of stable government and a strong executive, it stands condemned. Here, again, the experience of Australia is inconclusive. The record of the defeated Labour Government showed that a well disciplined party could carry out a strong programme even with only “half a mandate” from the people. The recent election in New South Wales showed that a fair majority was still possible under P.R. If its critics point out that most of the elections under P.R. have resulted in a very close balance of parties, its advocates can show that a perfect balance of parties, or a majority of one, was common under the old system in Australia. The New South Wales House well remembers the historic occasion on which the precious majority hastening down to a division, fell over the balustrade. Australian experience seems to support the view that a top-heavy majority, much stronger in the House than in the constituencies, involves two dangers. Its apparent strength may tempt it into extreme legislation. The defeated party, largely disfranchised by the exaggerated swing of the pendulum usual under the old electoral system, may be tempted to resort to direct action. The exact correspondence between strength in the House and support in the constituencies ensured by P.R. robs the extremist of the valuable lever which the partial disfranchisement of his party under the old system

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thrusts into his hands. Whether P.R., by increasing the difficulty of maintaining a party majority, will ultimately bring about a modification of the Cabinet system, leading to the establishment of non-party executives on the Swiss model, remains to be seen.

There still remains what is perhaps the most vital question of all—the effect of P.R. upon the relations between Parliament and the people. Devotees of P.R. are fond of quoting Burke's aphorism to the effect that "the virtue, the spirit, the essence of the House of Commons consists in its being the express image of the nation." But this does not settle the real point at issue—namely, the nature and value of the differing images obtained under the respective electoral systems. The claim made for P.R., that it gives a mathematically exact image of the opinion of the electorate, is met by the criticism that the image thus obtained represents not so much the general will as public opinion at a given moment and under a given circumstance, perhaps accidental in character. The inability of P.R. to test changes in public opinion by making some effective provision for by-elections means that the exact image rapidly becomes distorted. The older system, it is claimed, is dynamic rather than static. Any preliminary distortion of the image is rectified by subsequent by-elections, which also maintain the sensitiveness of the House to changes in public opinion. This theory of by-elections is heard less frequently in the Dominions than in England, where the system as at present operating may be summed up as Cabinet autocracy, tempered by by-elections. The attitude towards by-elections under P.R. in Australia is significant. The method of filling casual vacancies adopted after much delay and hesitation was that of appointing the next available candidate of the party in which the vacancy occurred. When this method broke down through the lack of any such candidate a provision was added enabling the party concerned to nominate anyone it liked for the vacancy. The whole tendency under P.R. is thus to

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eliminate by-elections. The next logical step is marked in a significant passage from the policy speech of the new Premier in New South Wales: "Some wise and salutary check must be devised against the creation of casual vacancies by political appointments to public offices."

It is foolish to attempt to minimise this most serious defect of P.R. by decrying the value of by-elections. "A by-election is a very rare occurrence," said the mover of the original P.R. motion in New South Wales in 1918, "and from my point of view is of very small value as indicating the tendency of public opinion." Such statements reveal a common tendency amongst advocates of P.R. to assume that the general will is not a constantly developing thing, but has a winter sleep in between the short, fierce summers of general elections. A further serious effect of the absence of by-elections is that it lowers the independence of members and therefore their sense of responsibility by depriving them of the possibility of resigning as a protest, and for the purpose of testing public opinion on some particular point.

The general conclusion in Australia with regard to P.R. would probably be that the balance of advantage lies with it rather than with the older system. The justification for such a carefully guarded conclusion is the limited extent of our experience, and the fact that the ultimate effects of the revolution in electoral systems marked by the introduction of proportional representation is still one of the least explored fields of political science.

Australia. June 21, 1922.

## SOUTH AFRICA

### I. POLITICS AND FINANCE

**E**CONOMIC questions have overshadowed all others during the past three months, and, as must inevitably happen, efforts to deal with them have raised other questions of a political or constitutional nature. A financial year of severe depression ended with the expensive disaster of the Rand strike, coming just at the moment when an upward move was expected. The Union Government had, therefore, to face an aggravated situation in preparing its Budget for 1922-23. Its effort to adjust the national finances has given rise to a whole crop of fresh difficulties. One important adjustment has been the settlement of the rate of Union subsidies to the Provincial Administrations on a new principle. The effect of this has been, not only to reduce the Provinces to financial straits, but also to raise anew the question of the constitutional rights of the Provincial Administrations, and even to stir up once more an angry demand for their abolition as expensive superfluities. At the same time our social difficulties have not been diminished by the crises through which we have passed, and there is a growing appreciation of the importance of economic factors in any attempt at solving them. The problem of State finance has thus become enmeshed in a tangle of other problems. It is necessary that some at least of these should be disengaged before any clear discussion is possible. Hence we propose to discuss in

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order ; (a) The Budget ; (b) Provincial Finance ; (c) The General Situation.

### (a) *The Budget*

The statement of the Minister of Finance was awaited with a good deal of anxiety. Rumour had placed the deficit as high as £3,000,000, and when the Minister himself placed it as low as £403,000 the announcement was received with half-incredulous relief. How far this unexpectedly small net deficit is really a matter for congratulation can be better appreciated when we know more of the consequences of the expedients by which it has been made possible.

Increase of taxation is very slight—about £200,000—and is more than balanced by a remission of nearly half a million in tobacco duties. The approximate balance has been brought about by methods of somewhat severe economy. Apart from Departmental economies and retrenchments, and the final disappearance of cost-of-living allowances, almost the whole of the saving has been effected as a result of the new arrangement for the payment of subsidies to the Provincial Administrations. We shall deal with the probable consequences of this new arrangement later. It is clear already that they may be far-reaching.

The estimate of expenditure for 1922-23 is £1½ million below the expenditure for last year, and of this considerable saving no less than £427,000 is due to reduction of the Provincial subsidies.

Like his colleagues in other lands, the Minister of Finance calculates, though cautiously, on returning buoyancy in trade to fulfil his estimate of revenue. Indeed, in our case he calculates more, for he leaves, allowing for supplementary estimates of expenditure now passed, a sum of nearly £350,000 of deficit to take care of itself. As receipts from war-profits tax, which provided £1,800,000 last year, will only be available to the extent of about

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£400,000 this year, and as receipts from land sales and mining leases are at present being paid into revenue, the improvement in trade will need to be very considerable if we are to be restored to sound financial health by the end of the year. Fortunately there are already hopeful signs.

Of the readjustments of taxation the most important, at least in its relation to the future, involves an attempt to deal systematically with estate and succession duties, and to establish these as a permanent form of taxation throughout the Union. Such Provincial duties of this type as already exist have never been properly consolidated on a uniform basis, nor have their revenue-producing possibilities been developed as they have been in England.

Power has been taken by Government to check, through the Customs, any tendency to *de facto* dumping of goods exported from countries with a heavily depreciated currency. With the mark at 2,000 or thereabouts,\* the danger is one which all Dominion Governments have to face.

The railways lost heavily as a consequence of the strike, and completed the year with an estimated accumulated deficit of nearly £4½ million. Little anxiety is felt, however, in regard to their position, for they are in good hands, sweeping economies have been effected, and the Administration has already embarked upon a scheme of railway extension to cost about £4 million.

The outlook for both general and railway finance is not discouraging, though much depends on future freedom from internal troubles. Distant mutterings are still to be heard, and it is not easy to say yet whether they are the last reverberations of the storm that is past or the first portents of the one that is coming.

\* The exchange at the time that this article goes to press is 3,910 marks to the pound and it has, during the last fortnight, been over 4,000 to the pound.



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### *(b) Provincial Finance*

In no respect was the Constitution as set up by the South Africa Act more tentative and experimental than in the institution of Provincial Councils. They were clearly meant to function as local-governing bodies ; their powers of taxation were carefully defined ; the duties entrusted to their charge, like education, roads, bridges, hospitals and so forth, were of the local government type ; and at every point the power of the Union Parliament to interfere and override was jealously reserved. The executive head, the Administrator, was to be an officer with status and powers not very familiar in British institutions ; but he was clearly intended to be a Union servant and not the head of a Provincial cabinet. At every point the South Africa Act guards against any tendency on the part of the provincial authorities to regard themselves as units of a federation rather than as subordinate authorities using delegated powers. The expectations of the framers of the Constitution have not been realised. The Provincial Councils have never been quite sure of their position. Sometimes they appear very like an English county council, at other times, with their political parties and whips and their legislative forms, they appear (and take themselves to be) Parliamentary bodies. But shrewd observers have all along maintained that experience of severe financial stress would force them to a truer understanding of their real subordination. It was foreseen that their resources, limited by statutory restriction, open at any time to raids from the Union Government, and lacking in the elasticity which those of Government possessed, would break down under the first real strain. Hence many South Africans have doubted the wisdom of leaving education to the charge of the Provincial Councils. They feared the risk to steady, balanced progress in education that might be incurred amid the ups and downs to which provincial

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finance was exposed. The testing-time has now come, and under the pressure which the Union Parliament has felt compelled to put upon it the system of provincial finance has simply broken down.

The Financial Relations Act of 1913, which has governed procedure in its main lines down to this year, instituted a partnership between Province and Union. The Union subsidy to each Province bore a proportion to the expenditure of the Province and to the proceeds of such taxation as the Province itself imposed. Certain Union revenues were also assigned to the Provinces from time to time. The system was not unlike that which operated in England until recently as between the Board of Education and the local education authorities. Its general effect was to encourage the local authority to raise money and to spend fairly freely. The system worked well when the need for checks on expenditure was not strongly felt; and although there were grumbles in Parliament as the amounts paid in subsidy to Provinces (and so surrendered beyond Parliamentary control) steadily grew, the system was continued while fair weather lasted.

The Financial Relations Act of 1922 completely reverses the former practice. Its main effect is :—

1. To abolish the co-operative and substitute the block-grant basis.
2. To fix the block-grant for 1922-23 at an amount 10 per cent. below that of the subsidy for the preceding year.
3. To grant no new sources of taxation to the Provinces except in the variation of liquor licences.
4. To deprive the Provinces of the right to tax natives, the Union Government, however, assuming responsibility for all further increase in the cost of native education.

Parliament thus resumes control, and the result of its action is a threefold burden upon the Provincial Administrations. They have to meet the deficit of their own shrinking taxation; to provide for development, and now to make good either by rigorous economy or by new

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taxation, the ten per cent. reduction of subsidy which the new Act enforces. It is already clear that the larger Provinces are unequal to the task, and that they must come back to Parliament as suppliants. In the Cape the Administration's first attempt to meet the situation took the form of proposals to increase taxation strictly within the limits of the Council's powers. Public outcry compelled the withdrawal of these proposals, and a new one was substituted—a tax on sales. This met with an even more hostile reception, and as the tax was in effect indirect it could not be imposed without the approval of Parliament. Feeling is so strong against any extension of the taxing powers of Provincial Councils that this second proposal has also been withdrawn. The Transvaal Executive has made an abortive effort to impose a tax upon advertisements (whether as luxuries or amusements is not indicated), and has succeeded in passing an ordinance imposing a tax upon employers who employ more than eight persons at the rate of £1 per head of their employees, which is really only a thinly-disguised tax upon the mining companies. The probable effects of this tax in further embarrassing low-grade mines are viewed with grave concern.

The popular outcry with regard to these various taxation experiments has not given evidence of sufficient consideration for the real difficulties in which the Provinces find themselves placed. There has been some disposition to refuse, whether by way of the Councils themselves, or through Parliament, all further help to the Councils, and to demand that they shall adjust expenditure to their existing resources. But it has become clear that no economies which are at once immediately practicable and non-injurious to weighty interests like that of education can bridge the gap.

The demand for the abolition of Provincial Councils which has arisen from the situation is a squeal of resentment rather than the assertion of a considered policy. The

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strong provincial feeling of Natal and the Orange Free State would probably make such a step impossible, and the Prime Minister has declared that his Government has no intention of abolishing Provincial Councils.

Parliament has in the end been driven to adopt temporary measures of relief in order to enable the Cape and Transvaal to carry on while some permanent remedy is being sought. It has given the Government power to make special advances to each of these provinces of £200,000 apiece, on the understanding that in the case of the Transvaal the Employers' Tax will be dropped if the advance is accepted. Meanwhile the Government has undertaken to appoint a Committee to enquire into Provincial expenditure with a view to seeing what economies can be effected, and also to consider the question whether any alteration is required in the present allocation of sources of revenue. It may perhaps be regretted that the enquiry is not to have a wider scope, and to include an overhauling of some of the constitutional peculiarities of the Provincial system, more especially the existing method of constituting Provincial executive committees, which imposes on the Administrator the task of wrestling with the discordant opinions of colleagues representing different parties (elected from the Council on the basis of proportional representation), and at the same time obscures all questions of personal and party responsibility for measures adopted. But it may be anticipated that the limited enquiry now proposed will serve a useful purpose.

It may probably be found that the charges of extravagance made against the Provinces arise very largely from failure to consider, along with the increase in Provincial expenditure, the very considerable increase in the range and efficiency of the services which the Provincial Councils control. There are many South Africans who, while holding that Provincial Councils are an obstacle to progress, and a hindrance to real national unification, would not care to support their abolition on a false issue, or on any other

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ground than that of proved unsuitability to the conditions and needs of a Union such as ours. The present atmosphere is not at all a favourable one for the cool-headed discussion of the wider constitutional question. Few people show at their best when resisting taxation, and the dog that has tried to bite them may get scant justice.

### *(c) The General Situation*

Preoccupation with economic questions has thrust purely political issues into the background. The process of converting Nationalism into an ordinary Opposition has been accelerated, and in the process a loose and somewhat uneasy alliance between Nationalism and Labour has emerged. The Government party itself is divided on economic issues. It includes both Free Traders and Protectionists, a town interest and a country interest, a commercial interest and a manufacturing interest. But it has held together surprisingly well during a session of which the business has been predominantly economic in character. If it is true, as some prophets would have it, that a regrouping of parties along a cleavage of economic interest is inevitable, there are no well-marked evidences of it at present. Their non-appearance may be due in part to the return of a cautious optimism for which there is good justification.

In gold mining the immediate effect of the great upheaval has been to restore freedom of action to the mine management. While the Mining Industry Board—appointed just after the strike—is still taking evidence, the mining houses are making fresh terms with the Mining Unions and are determining conditions of labour very much as they choose. The more distant consequences of their line of action we cannot calculate yet, but the immediate consequence is a return of hope and activity to the industry as a whole through the opportunity now afforded of making a more economic use of its resources. We can discuss the

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prospects of a permanent settlement of the problems of labour when the Mining Industry Board has reported.

The diamond market has also begun to revive, so with these fruitful sources of taxation again fully available our hopes for the year become more sanguine.

But the experiences of the last few years have served to impress deeply upon the public mind the conviction that the country can never be stable, either socially or economically, so long as its life is exposed to the violent ups and downs which follow from its dependence upon fluctuating industries of this type.

The attempt has now to be made to approach the real South African problem, the establishment of a permanent and stable economic order which can sustain the weight and support the life of a growing civilised community. It has fallen to the lot of General Smuts to lead the attempt, and he loses no opportunity of expounding his doctrine. The task appears no easier from closer analysis, but he is helped by the increasing appreciation among all classes of its great complexity and of the need for its comprehensive treatment. The fanatic and the single-remedy enthusiast are giving place to the systematic thinker and the long-sighted organiser. Even the short-range exploiter, the bane of South Africa, finds less scope and sympathy for his operations than he did.

In the form in which the Prime Minister puts the programme it appears to fall into three parts :—

1. Increased use and development of the country's material resources by way of (*a*) encouragement to agriculture, (*b*) founding of new industries.
2. Controlled immigration of Europeans of good quality and economic status.
3. Improvement of the quality of the existing white population, especially in the lower ranks.

The first of these aims has been vigorously pursued during the present session, and substantial progress has been made, especially in respect of agriculture. One

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happy effect of the recent fusion of parties has been to increase the town member's sympathy with and understanding of agricultural needs, and the new Minister of Agriculture, Sir Thomas Smartt, has won golden opinions from all sides.

In the development of industries the way is less clear, for there is little agreement as yet upon fiscal policy ; but two important measures have been passed, an Electricity Act, which provides for the organisation and the control of the supply of electric power throughout the Union, and an Act enabling the Government to grant bounties for a term of eight years on iron and steel produced in the Union from Union ores.

The second and third sections of the programme sketched above may be resolved into one if we take their common aim to be a great increase in both the producing and consuming capacity of the European population. Upon the subject of European immigration General Smuts has recently declared himself with less reservation than he was wont to show. The land, he sees, must be effectively occupied, and there are considerable sections of the existing population which are not capable of doing it. He rejects with curt dismissal the proposal of a recent Unemployment Commission to make yet another costly attempt to settle the "poor whites" on the land. Such efforts are entirely uneconomic, and the destiny of the poor white class is not that of landholding economic producers. Once the land is effectively occupied this class will find its place either as dependent cultivators or as skilled or semi-skilled workers in town industries working to meet the demand set up by vastly increased purchasing power in the country.

Less has been heard in Parliament of the other side of the matter, the actual improvement by thoroughgoing educational measures of the poorer white population. It is here that the cleavage between Union and Provincial Governments becomes a misfortune. The educational side of the programme belongs mainly to the Provinces, and their

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work comes back upon Parliament mainly in the form of increased demands for money. Parliament, hard pressed for funds, is apt to miss the unity of its more purely economic work with the educational side which is under the care of the Provinces. In consequence a demand is growing up for the summoning of a representative National Conference to consider the whole economic future in all its aspects and hammer out a comprehensive scheme of co-operation. Whether this expedient could restore the unity of vision which constitutional arrangements turn asquint we cannot tell, but it may well be tried. The public mind is really aroused, as numerous conferences, press articles, speeches and debates indicate, and there is a hopeful prospect that with the Prime Minister's inspiration—the spectre of separation having been laid—we may arrive at a policy which will afford the first real basis for an all-South African co-operation that we have yet had.

### II. THE UNION AND SOUTHERN RHODESIA

THE possible entry of Southern Rhodesia into the Union has a direct bearing on the question of the relation of the Union and Provincial administrations. The inclusion of Rhodesia will help to entrench the Provincial system, especially as many Rhodesians feel that they have more in common with Natal, the protagonist of the federal idea, than with the other Provinces.

The Southern Rhodesian question was discussed in the last December number of *THE ROUND TABLE*\* at some length. At that time Rhodesian delegates were in London discussing with the Colonial Secretary the form of responsible government to be put before the electors at the coming referendum. The draft Letters Patent embodying this constitution were published in January, 1922. In the

\* *THE ROUND TABLE*, No. 45, December, 1921, p. 193.



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main the recommendations of the Buxton Committee have been adopted. There is to be a ministry of six responsible to a single-chamber legislature, with the possible addition of an upper house later on. Most of the clauses call for little comment. The list of measures reserved for the expression of H.M. pleasure includes, however, certain special reservations necessary from "the peculiar history of the country." All laws relating to the collection and allocation of mining revenue or the imposition of special taxes on minerals are reserved, to safeguard the position of the B.S.A. Company which owns the minerals. This has been done expressly because the Cave Commission, whose Award governs the whole financial situation, allocated the mining revenues in a certain manner, and also because the Judicial Committee of the Privy Council pointed out that the absence of any provision for a refund of its expenditure to the Company in its various agreements with the Crown was due to the fact that the Company "had extensive mineral interests, which might under a good administration of the country, become highly valuable." Bills affecting the railway companies, in which the Chartered Company holds a predominating interest as an offset to its heavy liabilities, are also reserved until the Rhodesian legislature shall adopt as much as is possible of the British Railways Act of 1921 which provides for a Rates Tribunal.

As touching the Native administration, the existing satisfactory system is to be maintained. The extensive powers held by the High Commissioner are to be retained, though how far they can be exercised in a self-governing colony remains to be seen. Provision is made for the future establishment of Native Councils on the South African model.

In two directions at least marked departures have been made from the Buxton Report. First, the tripartite Land Board is to be replaced by a Crown Land Agent, who is to dispose of the Crown Lands "at such prices as may in all the circumstances be in his opinion fair and reasonable"

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and to pay over the net proceeds to the Company in liquidation of its claims under the Cave Award. Secondly, the initial debt, which Southern Rhodesia must assume is cut down from about £1,500,000 to some £1,100,000, that is, £831,000 for public works and buildings, presumably less depreciation for three years, and two Imperial loans of £150,000 each.

The terms on which Southern Rhodesia may become a self-governing colony are thus precisely stated. The terms on which she may enter the Union are as yet unknown.\* A Conference of the two Rhodesian parties with the Union Government sat with closed doors in Cape Town from April 3 to April 18. Delegates from Northern Rhodesia were also present, though naturally their interest in the proceedings was of an indirect nature. At the close of the Conference, a short official statement was issued, which showed the very wide range of subjects discussed, but which merely conveyed a few hints as to the actual terms suggested. It could not do more. The Conference was not intended to take binding resolutions, but merely to explore the ground and to find out the limits beyond which none of the parties would go. Finally, the Union Government pointed out "that its memorandum of terms would be prepared after the Conference, but was dependent on an agreement with the Chartered Company being reached on the land and railway questions."

The Referendum campaign began with the return of the delegates to Rhodesia. It is now possible to state some at least of the proposals made at Cape Town. The Union Government evidently regards the acquisition of the Crown Lands and of the Chartered Company's 85 per cent. control in the railways as essential. The acquisition of the mineral rights is described as "highly desirable" but as by no means vital to the scheme.

\* The terms have been made known since this article was written. The principal terms are set out in the Appendix.

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The acceptance of official bilingualisms, that *bête noire* of the Rhodesians, is also made a *sine qua non*. No other course is open, as this principle is specially entrenched in the South Africa Act. It may be suggested, in passing, that Rhodesia's fears in this respect are largely imaginary. Natal, the most "English" portion of the Union, experiences very few inconveniences as a result of its application.

The Union Government reserves its decision on the question of Rhodesian representation in Parliament. Relying on the analogy of the Orange Free State and Natal at the time of Union and also on the suggestions made by the late General Botha during his visit to Rhodesia in 1914, the pro-Union delegates at least seem to have expected 17 members in the Assembly and the customary 8 in the Senate. Apparently 10-12 seats are offered in the lower House and only 2 in the Upper.\* Twenty members are proposed for the Provincial Council. The Union Government, mindful of its promise, has been at special pains to point out the large amount of decentralisation which is possible under the South Africa Act.

On the closely allied questions of Land Settlement, railway extensions and Finance, the proposal is, first, to set up a special Rhodesian Land Board to dispose of the Crown Lands and thus, in a measure, to control immigration, a matter of first-rate importance to all parties in such a thinly-populated country. Secondly, there has evidently been much discussion of railway extensions at the Conference, mainly upon the linking-up of the Salisbury-Beira line with the Northern Rhodesian line at Kafue. The Union Government, the Rhodesians and the Company are obviously anxious for some such connection to draw the produce of Northern Rhodesia and the Katanga southwards, before the proposed completion of the Benguella line draws much of the traffic to the west. The "Responsibles" even argue that the necessity of safeguarding their own

\* The actual terms are more generous in this respect than is here anticipated.

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interests will speedily compel the Rhodesian railway companies—in other words, the Chartered Company—to build this link, and, further, that the desire to secure railway rights-of-way through Southern Rhodesia may prompt the Union to offer better terms. However this may be, in the event of union, South African railway rates will be extended to Southern Rhodesia, a prospective advantage which is one of the strongest arguments in favour of union to the Rhodesian mind.

Thirdly, as touching Finance, the delegates naturally pressed for a special grant, similar to that already made to the smaller Provinces of the Union. They also strongly urged the necessity of money for public works and development, for, though Southern Rhodesia has paid its way since 1908 and has triumphantly emerged from the last two financial years with substantial surpluses, very little has been available for capital expenditure beyond two Imperial loans of £150,000 per annum. The slump, and notably the fall in the price of mealies, has now hit Rhodesia, and this fact, coupled with a very dry season, has prompted the Treasurer to budget cautiously during the current year for a fall in revenue which will eat up most of the recent surplus. On the other hand, there are already signs of better times all over South Africa; there is no doubt that by additional taxation Rhodesia can more than make good any possible shortfall; while her inability to raise loans for development, either in London or elsewhere, is by no means so certain as is suggested in some quarters, once she has achieved self-government. But when all is said and done, Rhodesia wants development on as cheap and easy terms as possible. The Union's credit is excellent, and the virtues inculcated by the old text, "Bear ye one another's burdens," make a strong appeal to many north of the Limpopo.

The Union Government has declined to bind itself in advance to any specific railway and other development schemes. It proposes instead to give Southern Rhodesia £500,000 a year for ten years for general development pur-

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poses. This gift horse is, however, keenly regarded in the mouth by the "Responsibles," who urge that with the transference of Rhodesia's general revenue to Pretoria and the increased taxation due to the loss of the Rhodes Customs clause and the raising of the Income Tax to the Union level, the balance will, if anything, be against Rhodesia. But it must be pointed out that they have omitted to note that those portions of the revenues which are raised for Provincial purposes would still go to Salisbury, and that the extension of Union railway rates to Rhodesia will entail a serious loss in revenue, in the early years at least, to the Union railway administration.

The fact that the Union Government was unable to lay before the Conference its final offer of terms has evidently disappointed many of the delegates. But this delay has been unavoidable. Soon after the Conference met, the Union Government opened negotiations with the Chartered Company. Complications at once arose. Their nature is best described in the Prime Minister's own words:—

It does not seem impossible that the Union Government and the Chartered Company may be able to come to terms, but the questions are very difficult. The questions at issue involve practically the whole history of Rhodesia. . . . But that is not the only difficulty. The Imperial Government is also involved in this matter. . . . The discussions are now going on between us and the Chartered Company . . . and we are also negotiating with the British Government. . . .

The questions involving the Imperial Government in these negotiations obviously arise out of the disputed interpretation of the Cave Award. It is also shrewdly suspected that the Imperial counter-claim for a refund of the £1,212,000 advanced to the Chartered Company towards its late war expenses also enters into these problems. Whether or no this be the case, the Company has protested against the piecemeal liquidation of its claim under the Cave Award as the land is gradually sold. It demands cash payment by the Imperial Government with interest as from March, 1918

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(the arbitrary date on which the calculations of the Cave Commission terminated), as soon as it loses control of the administration of the Crown Lands. Acting on high legal advice, it threatens litigation. The Colonial Secretary is, however, advised by the Law Officers of the Crown that this claim is "without foundation."

If this question is merely one between H.M. Government and the Company, it need not delay the Rhodesian referendum. But pro-Unionists and Company men still dwell on the well-worn threat that this payment, in the event of the Company making good its case at law, will be ultimately charged against Southern Rhodesia. The proposal that self-governing Rhodesia should assume the administrative deficits as a public debt dates from Rhodes' statement to the shareholders in 1898. The Judicial Committee of the Privy Council in 1918 observed that

it is not surprising that it (the suggestion) met with no support from the Crown. . . . The Queen's Government refused to relieve itself of an Imperial liability by transferring it to a local population still imperfectly organised. It is possible that this refusal was not intended to be final. . . . The matter remained one between the Company and the Crown.

The Rhodesian drafting delegation came away from their interviews with the Colonial Secretary and the Law Officers of the Crown convinced that, even if the Company won its case, the payment could not fall on Southern Rhodesia. On the other hand, the Under-Secretary for the Colonies has recently stated that the draft Letters Patent were "prepared on the basis that, should they come into operation, no liability of a financial kind would fall on H.M. Government," other than the £831,000 due to the Company under the Charter for public works and buildings.

A Referendum Ordinance, introduced by a private member, has been passed by the Southern Rhodesian Legislative Council. The Government disclaimed all responsibility on the ground that the Colonial Secretary had

## The Union and Southern Rhodesia

suggested that discussion be deferred to a special session. Rhodesians of all parties are, however, averse to delay. The rainy season is due in November and for five months thereafter a referendum will be impossible. At General Smuts' request the date before which the Union terms are to be presented has been advanced from June 30 to July 31. On this understanding provision is made for the referendum before October 31 either on the alternatives of Responsible Government and Union, or, in the last resort, on Responsible Government alone. The referendum campaign is now proceeding. It has been arranged for General Smuts to pay a visit to Rhodesia early in August and "Responsibles" are bidding their supporters steel their hearts in advance against his blandishments.

Meanwhile the session of the Union Parliament has closed (July 19) without publication of the terms of the offer to be made by the Union Government to the people of Rhodesia. In the debate on the Appropriation Bill two days before the session ended General Smuts explained that, though the negotiations with the Chartered Company and the Imperial Government were approaching conclusion, it was not yet possible to publish the terms of the Government's offer. The terms would be published after Parliament had been prorogued so that the people of Rhodesia would see the terms before their referendum in October. The final decision, as far as the Union was concerned, would still rest with Parliament. This announcement evoked an emphatic protest from Dr. D. F. Malan, acting at the time as Nationalist leader, who described the procedure which was being followed as "extremely autocratic." He could not, he said, conceive of the terms of the Union Government being final for Rhodesia without being final as far as the Union Parliament was concerned. This protest will probably find some echo among the ranks of the Government's own supporters. Publication of the Union's terms will certainly be the signal for a fuller public discussion than has hitherto been possible.

## South Africa

As far as public opinion in the Union can at present be gauged, it may be stated that the Nationalists are against the incorporation of Rhodesia for obvious reasons, while Labour is also inclined to oppose it for fear of strengthening the S.A.P. majority, which has just been reduced by the election of Colonel Creswell—an election in many ways welcome to men of all parties—for a Natal seat. Nearly all of us, however, echo General Smuts' statement that we want a willing Rhodesia or none :—

We are friends, we mean to remain friends, and we shall do nothing to put undue pressure on you or to appear to force you into union. . . . We shall always look upon you as members of the South African family, whether we are one country or whether we are two.

All the more, then, are South Africans prepared to look askance at anything savouring of pressure, from whatsoever quarter it may come, in a matter which primarily concerns themselves and the Rhodesians.

South Africa. July 21, 1922.

## APPENDIX

### *The Union's Terms*

*The following are the principal terms offered by the Union Government for the entrance of Southern Rhodesia into the Union as they appeared in "The Times" of August 2 last :—*

Southern Rhodesia will be the fifth province of the Union and will be known as Rhodesia. English and Dutch will be the official languages and will enjoy equal rights.

Rhodesia will send ten representatives to the House of Assembly, but provision is made for increasing this number to seventeen as the population of the new province increases. Rhodesia will at first have four elected and one nominated Senators, but provision is made



## Appendix

for an ultimate representation in the Senate of eight elected and two nominated members.

The Provincial Council will consist of twenty members and will be similar to the Councils of the other provinces comprised in the Union.

In addition to the usual provincial subsidy Rhodesia is to get a special subsidy of £50,000 a year for ten years as compensation for the abolition of the Rhodes Clause. [This clause guaranteed lower customs duties on goods of British origin (other than tobacco and intoxicating liquors) than those now existing in the Union.] The Union taxation system will apply, but for a period of three years income tax exemption as at present granted in Southern Rhodesia will remain in force.

A development grant of not less than £500,000 a year for ten years is to be devoted to capital expenditure on development such as railways, public works, irrigation, land settlements, telegraphs, roads, bridges, and other development purposes. The Rhodesia and Mashonaland railways are to be taken over, and also the other railway rights of the Chartered Company. The Union rates and fares will be charged throughout Rhodesia. Special attention will be devoted to the port of Beira as the principal outlet for Rhodesian traffic.

Crown lands will be freed at once of charges in respect of the debt due to the Chartered Company, and a Land Settlement Board consisting of Rhodesians will be appointed, the funds for which will come out of the development grant. The mineral rights of the Chartered Company will be acquired by a mutual agreement with the Company at a later date. In the meantime the present royalties will continue to be paid to the Company. The Rhodesian mining law and regulations will continue in force after the incorporation of the province in the Union.

The public service will become part of the Union service. All its existing and accruing rights will be secured, and additional rights and assurances as to the future will also be granted. The same provision applies to the Chartered Police and railway servants.

The existing defence system will continue until there has been time to consider how best to apply the Union system. There will be no restriction on the movement of Europeans as between Rhodesia and the other Provinces of the Union. With regard to the movements of other than Europeans, the existing restrictions in force in the Union will apply.

No recruiting in Rhodesia of labour for other parts of the Union will be allowed. The existing municipalities will get as a free endowment the transfer of land set aside for them as commonages.—

*Reuter.*

## NEW ZEALAND

**T**O a much greater extent than is usually the case, thought and discussion in New Zealand, during the past month or two, have been centred on our own broad internal problems, and comparatively little attention has been paid to the confused international situation. Party politics too, and relatively contentious issues, are also in the background, and the centre of the stage has been occupied more by internal issues, of which the chief perhaps are the problems of public finance, the labour problem and wage readjustment, the Meat Pool and similar suggested organisations in regard to other primary products, and the immigration question.

Like most other countries, too, we are in the midst of a process of deflation, and of attempted readjustment downwards of prices and wages, while we are also, after the experience of a post-war boom, finding great difficulty in making ends meet. Under the grinding pressure of taxation we are seeking for economies in expenditure and administration, and, allowing for all differences in outlook and economic conditions, our problems are analogous to those which are being faced in Britain and other similarly organised states in the attempt to reach a position of economic stability after the upheavals of recent years.

# Immigration

## I. IMMIGRATION

THE war has created for the people of the Home Country many new problems of first-class magnitude, amongst which that of the pressure of surplus population has for some time been recognised both at Home and in the Dominions as of the utmost gravity. It appears to thoughtful New Zealanders that there is every probability of the British population proving actually redundant even when a condition of stability has been reached in the post-war situation, for while it is here felt that Britain will recover many of her lost foreign markets, it is recognised that the population position is quite different from that at the conclusion of former wars. After Waterloo, for instance, though there was for a time congestion and unemployment, the position righted itself and the population increased rapidly, for Britain was then industrially without peer. At the present time, however, it is recognised that there are several highly industrialised nations which have emerged from the world war in a state of relative superiority, and some re-orientation of world markets, to the disadvantage of Britain, must be faced. Public opinion, therefore, is being prepared to consider the problem of intra-imperial migration on the great scale, though the difficulties of the situation are perhaps as yet not fully understood.

For many years opinion in this country on immigration has been sharply divided, the farmers and employers generally standing for an immigration policy, and Labour, instinctively self-protectionist, opposing it. In the long period of Liberal-Labour rule from about 1891 to 1906, Mr. Seddon, relying for power partly on the Labour vote, was obliged to defer to Labour opinion on the immigration question, and we may say that in this period little was done, nor, indeed, was the problem urgent from the

## New Zealand

imperial or any other point of view. For many years we have relied on immigration for a fair proportion of our skilled artisans, and in a small way the Government has assisted, by differential passenger rates, to bring to the Dominions persons suitable for farm and domestic work; but this obviously was merely in some measure an attempt to cope with labour shortage in this country, and in no sense an attempt to solve the problem of the mal-distribution of population throughout the Empire, which is, indeed, just taking shape.

Notwithstanding the fact that for the first time in recent decades this country is really in the throes of an unemployment problem on a fairly extensive scale, a strong feeling is met with in some quarters, though as yet in advance of general public opinion, that immigration should be dealt with as part of the imperial issue.

This found vigorous expression quite recently in the following statement by a well-known business man. In his presidential address at the annual meeting of the Wellington Central Chamber of Commerce on October 26, 1921, Mr. A. Leigh Hunt said:—

There are those who will tell us that immigration should be stopped because of the passing financial cloud. Such men are not Empire builders, and their view-point will never make our Dominion the nation others believe it is destined to be. For defence purposes alone we must have immigration, and in a far greater degree than hitherto. We have no right to this fair country, if we do not attempt to populate it.

British statesmen in recent cables stress with no uncertain voice that England's unemployment troubles and the defenceless state of Australia and New Zealand make it imperative in the interests of all that a transference of a portion of the population of the Old Land is an urgent Empire question. Apart from defence, our need for more people is apparent on every hand. Our heavy burden of taxation, our great need to increase our production, and the great natural sources of wealth which remain untouched, all place the question beyond dispute.

Even supposing our great farming industries and our manufacturers are fully manned, which they are not, we have a field of

## Immigration

potential wealth in our deposits of iron, coal, copper, marble, slate, asbestos, pigments, etc., also such industries as paper making, wool scouring, fishing, and also beet-sugar production.

If, with a progressive policy of immigration, we can arrange for the investment of British capital, as seems to be quite possible, then we will be entering a period when we will be commencing to develop our richly endowed country in real earnest.

This pronouncement can be taken as an expression of the population-inflationist case at its best, and it is characterised by that naive quality which so impresses and amuses foreign visitors who study our type of imperial thought, a happy blend of altruism and cupboard love. We are going to afford living-room to our congested brethren from the Old Land, at great advantage and profit to ourselves ; but there are many difficulties in the way, and some inaccuracies in contemporary thought, as disclosed by the passage quoted, that will have to be faced and settled.

The principle that should govern our policy, it is felt by many, is as follows. While our immigration policy must not lose the imperial point of view, it must be based primarily on the needs, economic and political, of our own country ; and where the needs of New Zealand and of Britain come into apparent conflict in matters that are not vital to imperial existence and honour—and they frankly do in some instances—then it is the plain duty of our rulers to study our own country first. Precedents for this essentially reasonable and common-sense attitude are not lacking. In tariff matters, for instance, our policy is in frank opposition to the interests of England, which, being a manufacturing nation, would naturally be more pleased if we were to rest content with our status as an outlying supply station for raw materials, buy our manufactures from her, and send her our raw materials in exchange. We do not choose to adhere to this policy, and we have the undoubted right, here as elsewhere, to work out our salvation in our own way, being bound to make imperial interests paramount only when they are clearly of supreme import-

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ance. The same considerations, it is suggested, should guide our immigration policy.

It does not appear, in view of all the circumstances, that such interests would be imperilled by our adherence to our traditional cautious immigration policy. We are the smallest of the Dominions, with practically no unoccupied land, as against Canada and Australia, with huge stretches of empty country, and powerful neighbours, potential enemies as well as potential friends, immediately adjacent. Unlike Australia, we have but little waste space to people, nor are we an empty continent with several bloated, over-congested cities, thus presenting irresistible temptation to sorely pressed neighbours who have outgrown their territorial limits. In any event we could not receive a large immigration in a short time, we could not supply the land on which added population could settle *en masse*, and our absorptive capacity is probably limited to a few thousands a year.

In this country practically all the land is in private ownership, there is little unalienated Crown land left, the best land is already settled, there has for years been a cry for the release of farming land for our own population, and the prospects for further pioneer farming are not exactly roseate. Our unsettled lands now are poor and remote, and if they are to be settled, must be settled by men of a picked type with capital, farming experience, and grit. There is little evidence that the type of immigrant we should receive is of this class, and much probability that he is not. The kind of man likely to come out here is the artisan or clerk who sees little prospect of steady employment under the conditions at present prevailing and likely to prevail in England. While such people are quite desirable citizens, it is plain that they are not in possession of the experience, the capital, or the desire to break in "back-block" country.

These are the popular objections, but they are bound ultimately to be reinforced by others of a less obvious

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character. It is true that New Zealand is a mineralised country, but there is at present no proof that these minerals are commercially exploitable on the large scale. Even if they were, people cannot live on potential wealth, and it would take much expenditure of capital both to test our natural resources and to bring them to the stage where, assuming them to be in fact utilisable on a commercial scale, they could support a large population. We are not at present a great manufacturing country, and it is doubtful if we ever could become one, or whether, from a humanitarian point of view, it would be worth our while to try to become one. There is nothing intrinsically attractive in industrialism and much that is repulsive. It means factory, slums and social problems; it means poverty, hunger and dirt, at all events, if the precedent of other industrial nations can be relied on, and New Zealand has never shown much enthusiasm in this direction. Yet it seems clear that only an industrialised state can develop a large population, and that relatively agricultural communities carry a population much more sparse, but with a higher standard of life. We could, many think, do Britain a better turn if, instead of trying to attract part of her factory population to start competing manufacturers under a high tariff, we kept our tariffs down, and assisted her by buying from her manufacturers, thus enabling her to maintain her own population at home. This appears to be the view of many responsible men at home, and while not prevalent out here at the present time, it may easily gain ground.

New Zealand will not shirk her duty in regard to a population redistribution within the Empire, but the urgency of the need must first be made apparent, as far as this Dominion is concerned, and many preliminary problems must be raised and discussed before anything approaching unanimity of opinion can be attained.

# New Zealand

## II. THE LABOUR SITUATION

NEW ZEALAND has not escaped the stream of unrest and unsettlement that has swept over the world in recent years ; and though, owing to our remoteness from the storm centres and the nature of our national life, we have avoided the main currents, nevertheless considerable perturbation has been felt here and, as was pointed out in the March number of *THE ROUND TABLE*,\* this general social unrest has become involved with the Irish question. There seems to be no connection in principle between Bolshevism and Sinn Feinism, except that both are enemies of the Empire and have in common the desire to injure it.

The post-war unrest is understandable enough, and has perhaps been inflamed by the rigid censorship of literature instituted and carried out by the Government, and administered, as such bureaucratic expedients are apt to be, in such a manner as to cause considerable dissatisfaction. While the censorship probably has the approval of the mass of the people, it is considered in many quarters that it actually does more harm than good, that it advertises and makes prominent the banned publications to an extent out of all proportion to their real importance, and that in any case it is futile, as forbidden publications do come into the country and are in fact freely though surreptitiously circulated. The prohibition exercised, however, has been of so capricious a character that more than one of the university teachers of economics has felt bound to point out that important works in social science could not be obtained here for scientific purposes, though apparently in free circulation in other parts of the world.

There is not much probability of the Bolshevist menace obtaining a serious hold in New Zealand, and its impor-

\* *THE ROUND TABLE*, No. 46, March, 1922, pp. 462-3.



## The Labour Situation

tance is probably exaggerated by the Government and the public at large. For one thing, the grievances of the people of this country are relatively trivial, and we have, to the knowledge of everybody, enjoyed a much higher level of prosperity and standard of life than have obtained elsewhere in recent years. Further, the population of New Zealand is evenly distributed and not urbanised to the same extent as in highly industrialised countries, and it appears to be among excitable urban crowds that revolutionary movements take root and spread. New Zealand is predominantly a farming country; its four largest towns are fairly equal in size and importance, and population is very evenly spread. According to the last census returns, the population of New Zealand (excluding natives) as in April, 1921, was 1,218,913, while that of the four principal urban centres was as follows:—Auckland, 157,757; Wellington, 107,488; Christchurch, 105,670; and Dunedin, 72,255. The result is that the country districts exercise a powerful restraining influence and, as past experience shows, would probably be too strong for the city proletariat in a trial of strength. Finally, the leaders of the extreme wing of Labour are not natives of the country. They have arrived here after a career of agitation in countries with problems of a more pressing and desperate nature than ours, and when they get on to the platform and advocate desperate remedies for diseases which their audiences know are not desperate enough for such treatment, they are received with scepticism not unmingled sometimes with amusement. The working men will usually vote for such men at the polls on general principles of Labour solidarity, but will not be stampeded by them into extreme courses. The recent history of this country, and the plaintive complaints of the Labour leaders and their official organ, seem to establish this beyond doubt. It is probable that social unrest will die away with returning prosperity, and it can be said with confidence that there is no strong revolutionary party in New Zealand.

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The chief source of social unrest and disaffection has recently been the Sinn Fein element, a section whose attitude caused some criticism during the war, and who have since become more militant with the progressive exasperation of the Irish problem. The trouble came to a head in connection with the last St. Patrick's Day celebrations over the new status of Ireland. Speaking at a meeting at Auckland on St. Patrick's Day, Dr. Liston, Coadjutor Catholic Bishop of Auckland, delivered a violent diatribe on Irish affairs generally, and on the 1916 rebellion in Ireland in particular, in which, after the customary references to "martyrs for the cause," etc., he described his countrymen in vague terms as having been "murdered by foreign troops." This address aroused intense feelings of disapproval in Auckland and throughout the Dominion, and elicited a prompt and vigorous rejoinder from the Mayor of Auckland, which was echoed throughout the country. The Bishop meanwhile remained silent, until finally the Government announced its intention of prosecuting him for sedition. Hereupon the Bishop addressed a lengthy and somewhat unconvincing explanation of his speech to the Prime Minister, stating, *inter alia*, that he had been misreported, which to some extent was doubtless true. The Government, however, persisted, and the Bishop was brought to trial at the criminal sessions of the Supreme Court at Auckland. The burden of the defence was that the words, "murdered by foreign troops," referred to lives lost, not in the Easter rebellion, but in the reprisals of the "Black and Tans." This was supported in the Judge's summing up, and the jury added the following rider to their verdict, which was approved by the Judge:—

We consider Bishop Liston was guilty of a grave indiscretion in using words capable of an interpretation so calculated to give offence to a large number of the public of New Zealand, and we hold that he must bear the responsibility in part at least for the unenviable notoriety that has followed his utterance.

## The Labour Situation

Though a conviction was not secured, the action of the Government in prosecuting was generally approved throughout the country, and should constitute a valuable and salutary check on the promulgation of similar sentiments from any section of the community in the future.

The Labour party recently has received some accession of strength owing to the projected adherence to it of certain sections of civil servants who have hitherto stood outside its ranks, but who, in view of the attitude of the Labour members in Parliament on the question of salary reduction, which was dealt with in the last number of *THE ROUND TABLE*,\* have shown a disposition to affiliate with the official Labour body. This body is now styled the Alliance of Labour, and arose some five years ago among the transport workers, and has since extended to embrace iron workers, miners, seamen, waterside workers, tramwaymen, drivers, and those employed in the refrigerating and allied industries. Its present strength is estimated to be between 40,000 and 50,000 men, and it includes the Amalgamated Society of Railway Servants. This latter body is not inclusive of all the railway workers, for the engine drivers, firemen and cleaners (the E.F.C.A.) have their own organisation, between which and the A.S.R.S. there is considerable friction, and there is in addition the Railway Officers' Institute, which appears to embrace the executive section of the service. No objection seems to have been raised by the Government to the amalgamation of the A.S.R.S. with the Alliance of Labour.

Quite recently the Post and Telegraph Officers' Association was announced as a new affiliate to the Alliance of Labour. This service for some time has been seething with discontent. The steady rise of prices in the war period and the slower rise of wages cut into the men's standard of life, and put a considerable strain on their loyalty, and to crown this, when there appeared some

\* *THE ROUND TABLE*, No. 47, June, 1922, p. 681.

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prospect of prices beginning to fall and of the men "getting some of their own back," the crucial position of the national finances, alluded to elsewhere in this article, forced the Government to reduce wages. There is no doubt that the Government took this necessary step with very great reluctance, but it was at once seized upon by the Labour leaders, who exploited the situation to the utmost of its possibilities in the interests of the party, with the result that the executive of the Post and Telegraph Officers' Association, after a ballot of members endorsing its policy by 4,379 votes to 1,973 on an issue of 7,362 voting papers, announced its formal intention to affiliate.

This decision aroused intense hostility in business circles and among non-labour people generally, and the Government responded to the popular expression of feeling with commendable promptitude, by forbidding peremptorily the intended affiliation. It was not suggested that such action was illegal, but the Government made it clear that in an arterial Government service of such importance, and in possession of so much confidential information as the Post and Telegraph Department, it would not permit its men to be affiliated to an outside organisation, thus putting the service to an indefinite extent under the dictation of an outside body, impairing the authority of the State, and rendering communications liable to a stoppage through sympathetic strikes and party pressure. The abstract contention of the officials that the men had a legal right to make what affiliations they chose was brushed aside, and the matter became a test of relative strength.

It would seem that the executive of the Post and Telegraph Officers' Association is in some doubt as to the extent to which solidarity within the ranks of the Association, the elements of which are very composite, would be maintained. If they were substantially unanimous and determined they could hardly be successfully coerced; but the ballot figures disclose a considerable dissentient minority, and it is generally felt that the vigorous measures

## The Labour Situation

which the Government would not hesitate to adopt in the event of the forbidden affiliation actually taking place would put too great a strain on the loyalty of the members. The present position is that the Government has won, for the question of affiliation has been postponed, and the Association has announced its intention of petitioning Parliament for leave to exercise the right which it has all along claimed to possess. This appears a sufficient solution of the question. The men have virtually conceded the main point at issue, while there is nothing to be gained, from the Government's point of view, by adopting the risky course of trying to force an absolute and ignominious surrender, which could not be a final settlement, and would simply sow the seeds of future trouble.

On the whole the Government has handled the situation well. Some criticism was aimed at it for allowing the matter to get to the ballot stage at all, but it is difficult to see how this could have been prevented without incurring the imputation of vexatious interference and tyranny, and there was a distinct possibility that the ballot might have gone in the other direction, the best solution of the problem and one worth attempting to secure.

The position of Labour, here as elsewhere, is at the present time tactically weak, and extreme demands emanating from that quarter can now be met with some firmness. As is to be expected in a period of deflation accompanied by relative industrial stagnation and halting business, unemployment is more prevalent than usual, and while proportionately this distressing phenomenon is not of great importance even now, yet a number of men have found it difficult to secure employment, casual and domestic labour can be obtained more easily and cheaply than was the case a few months ago, and wages have been receding from the point established during the war and many years of easy living. The fall is, however, complicated by our peculiar system of state-determined wages provided by the Industrial Arbitration system, under which wages are fixed, not

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by bargaining directly between the parties, but by a state tribunal.

The nature of this remarkable system was explained in THE ROUND TABLE of September, 1919,\* and while it enjoyed apparent stability on a rising price and wage level, there were many who predicted that it would break down under the stress of falling prices, and that the men would abandon the Court when it no longer was able to grant them increases in money wages. So far this prediction has not been fulfilled; in fact, the men, seeing that at present the Court acts as a brake on the wheel of deflation and eases the rate of fall in money wages, are showing a disposition to adhere to the compulsory system more determinedly than has been the case for many years past, and certain unions that have hitherto treated the Court with contempt have taken the necessary steps to become amenable to its jurisdiction. It is rather the employers, both here and in Australia, who are dissatisfied with compulsory wage settlement. The system, in fact, is mainly supported by that party to the wage bargain which, at any time, would be in a strategically weaker position were the Court not in existence.

The position of the Court, the awards of which normally stand for periods of three years, and thereafter until modified at the instance of either party, became very difficult in a period of rapidly rising or falling prices, and to cope with the situation section 18 of the War Legislation and Statute Law Amendment Act, 1918, gave it power to modify existing awards in accordance with movements of the cost of living during the currency of awards. On April 19, 1919, the Court made its first pronouncement under this enabling statute, fixing minimum wage rates, subject to periodic bonuses or reductions in bonuses in accordance with ascertained fluctuations in the cost of living, and it fixed the basic rates at the following figures: skilled workers 1s. 7½d. per hour, semi-skilled workers

\* THE ROUND TABLE, No. 36, September, 1919, pp. 826-30.

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1s. 4½d. to 1s. 6d. per hour, unskilled workers 1s. 3½d. per hour. These were operated on the assumption of a forty-eight-hour week, and from this standard bonuses and reductions of bonuses were to operate.

A year later, on April 27, 1920, the basic rates were modified as follows: skilled workers 2s. per hour, semi-skilled workers 1s. 8d. to 1s. 10d. per hour, unskilled workers 1s. 7d. per hour.

The first bonus on the basic wage of 2½d. per hour was announced on April 19, 1919; in November this was increased by 1d. per hour; in April, 1920, by another 3d.; and November, 1920, by another 2¼d.—*i.e.*, 9s. per week of 48 hours. By now, however, the boom had about spent its force, and the employers offered a vigorous resistance to the last bonus addition. Thereupon the Court reconsidered its decision at a special sitting in December, 1920. It was now disclosed that, owing to a misunderstanding on the basis of computation, an adjustment of the last bonus to 5s. per week should be made, and the Court accordingly modified its decision, granting in lieu of the former 9s. per week a bonus of 3s. and carried forward the remaining 2s.

When the next bonus fell due in May, 1921, it appeared on the cost-of-living figures, that, allowing for the carry-over, 2s., as above stated, a bonus of 5s. was due. It appeared equally clear that in view of the depressed conditions prevailing, industry could not stand the added imposition. In these circumstances the Court announced a stabilisation scheme for twelve months from date, under which the bonus due was held over, to be set off against the possibility of wage reductions. Soon after this, in view of the extraordinary depression in the pastoral industry, the Court announced a reduction of about 20 per cent. in wages for shearers, on the ground that extraordinary circumstances justified the departure from the stabilisation scheme. This power the Court had expressly reserved, but the Labour member of the Court considered it a breach

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of agreement, and resigned in protest. Though re-elected by the unions, he again retired and another Labour member took his place.

To meet the further difficulties that arose, an amendment of the Industrial Conciliation and Arbitration Act was passed on February 11 last, superseding the provision made in the 1918 Act already mentioned, renewing the power given to the Court to modify wage rates in awards or industrial agreements, and requiring the Court in reviewing wage rates to consider not only the cost of living, but also "economic and financial conditions affecting trade and industry in New Zealand, and all other relevant considerations." It was also provided that wages should not be reduced to a lower level than would enable the workers to maintain a fair standard of living. What constitutes a fair standard of living, and what would happen if "economic and financial and other relevant considerations" made it impossible for industry to stand such a wage were problems which Parliament left to the Court.

In these difficult circumstances the Court has acted with considerable judgment and prudence. Its statistical apparatus for estimating the cost of living appears to be exceptionally detailed and careful, and to be based on full consideration of all relevant data, including not only the official standard index number of retail prices, but other prices as well which have not hitherto been incorporated, by reason of technical difficulties, into the official index number. In the course of a recent judgment, dated May 8 last, the learned President of the Court, the Hon. Mr. Justice Fraser, exhaustively dealt with the problems presented by wage fixation in existing circumstances, particularly with the dilemma indicated at the end of the last paragraph, and decided to reduce wages as follows: adult males by 5s. per week, adult females by 2s. 6d. per week, and juniors by 1s. 6d. per week. Certain exceptional cases were separately dealt with.

On the whole the decision has been well received, though



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there have been, as was inevitable, noisy dissentients on both sides. Labour recognises fully that in the existing economic circumstances of the Dominion it has come off very well, and the employers, while they had hoped for a greater reduction, are generally willing to acquiesce in the reasoned decision of so able and impartial an expert as the present President of the Court.

### III. PUBLIC FINANCE

**N**OW that the war and post-war booms have burst, and the process of deflation has set in in real earnest, the problem of the public finance of this country is being realised in its full extent and gravity. For many years this question presented no real difficulty; from the early nineties the resources of the country were growing; and while much money was borrowed, there was no difficulty in securing unlimited supplies at low rates of interest, and the increasing export trade of the Dominion enabled the interest bill to be met without any sense of privation. Even during the war, our extraordinary prosperity postponed realisation of the growing burden, if it did not alleviate it, but since the collapse of our markets the burden has now been revealed in its full extent, and is causing much anxiety and discomfort. Quite apart from our growing commitments, it is obvious, since we pay our externally owed interest in commodities, that a fall in the world price level of our staples automatically increases the burden of debt, irrespective of any fresh liabilities incurred, because more products must be exported at the reduced prices to reach the former aggregate money value.

Allowing for deduction of sinking funds, our net public debt has grown in the past decade from £82,193,310 in 1912 to £197,561,247 in 1921, and it grew very rapidly in the post-war years. Put another way, the net indebtedness per head, excluding Maoris, rose in that period from

## New Zealand

£79 13s. 8d. per head to £162 1s. 7d., and owing to the craze for borrowing which is firmly implanted in both Government and people, it is likely to go on increasing as long as it is possible to raise funds in London. Our dead-weight debt charge has thus more than doubled in the last ten years, and now requires for its service a greater annual sum than the total taxation imposed in any year prior to 1917. Specifically in 1921, £7,831,593 was paid in interest and sinking fund on public debt, being £6 10s. 3d. per head of population, but absorbing only 22·86 per cent. of the revenue. In the last decade too, our taxation has more than quadrupled in absolute amount, having risen from £5 3s. 10d. per head in 1912 to £18 9s. per head in 1921. The detailed figures in this connection are so striking that we quote them in full in the Appendix.

These figures point to some interesting conclusions. They reflect clearly, for example, the post-war over-importing boom; they indicate the enormously increased taxation burden; and in particular, they show an apparently radical alteration in incidence. Income tax in the last decade has risen from 8·48 per cent. to 37·18 per cent. of the total revenue collected, while customs duties have fallen from 64·16 per cent. to 39·53 per cent. in the same period, showing conclusively that the main burden has not been laid on the shoulders of the workers, but has been assumed, broadly speaking, by the better-off portion of the community. The number of income tax payers grew from 12,207 in 1912 to 44,597 in 1921, a curious commentary on the increased money wealth of the community. Further, in 1921 companies paid 61·86 per cent. of the total income tax collected.

There has arisen in business circles, as would naturally be expected, the conviction that the income tax has reached a point where, even in the circumstances of the country, the incidence is iniquitous, and an imperative call on the part of the commercial community for an inquiry into the existing system of taxation has grown so strong that the

## Public Finance

Government has felt obliged to defer to it, with the result that a committee appointed by it is now sitting to investigate and report on the whole taxation question. This Committee, the appointment of which was formally announced on May 3, consists of five members appointed on the recommendation of the Chambers of Commerce of the Dominion, three on the recommendation of the Farmers' Union, two on that of the Sheep Owners' Federation, and one each on the recommendation of the New Zealand Law Society and the New Zealand Society of Accountants. It is doubtful if any conclusions of a radical nature can be expected from this Committee, nor is it certain that the Government will be either willing or able to carry out any recommendations the Committee may make. Taxation, here as elsewhere, depends on expenditure, and expenditure depends on policy, so that such problems as the volume and incidence of taxation raise further questions of policy of such a nature that no Government could delegate their final settlement to any outside body without conceding and abandoning the basis of representative government altogether. However, the report of the Committee will be received by the community with considerable interest.

It does not seem likely that any material relief will be obtained in the near future from the taxation burden. Such economies as are likely to be made are either effected or in course of accomplishment at the present time, and while important, they will afford relatively minor relief. Some relief, however, by way of readjustment of the income tax on companies seems imperative if private capital is to be employed in industry and commerce in the Dominion, and especially is this the case if the large stock and station agents are to continue the work of affording assistance, financial and otherwise, to the farming community. With the rate of tax reaching 8s. 9<sup>3</sup>/<sub>4</sub>d. in the £ it is not easy to see how these important institutions, which are vital to the prosperity of the farming community,

# New Zealand

can reasonably be expected to carry on business, or, indeed, how any large company can pay a dividend.

## APPENDIX

### *Taxation*

Year ended	March 31 Customs.	Land.	Income.	Death Duties.	Other Taxes.	Total.
	£	£	£	£	£	£
1912	3,398,143	647,015	448,935	361,186	441,311	5,296,590
1913	3,531,761	728,636	462,994	458,265	425,173	5,606,829
1914	3,553,785	767,451	554,271	613,751	428,776	5,918,034
1915	3,294,943	799,641	540,318	796,232	449,677	5,880,811
1916	3,524,063	1,048,356	1,392,119	610,350	692,078	7,266,966
1917	4,037,628	713,118	4,262,126	570,040	966,742	10,549,654
1918	3,601,383	1,385,708	5,619,561	805,511	928,690	12,340,853
1919	4,104,016	1,512,693	6,219,336	869,371	1,096,227	13,801,643
1920	5,185,728	1,557,903	6,369,765	978,095	2,160,278	16,251,769
1921	8,769,251	1,688,979	8,248,945	1,106,925	2,370,314	22,184,414

New Zealand. June 1922.

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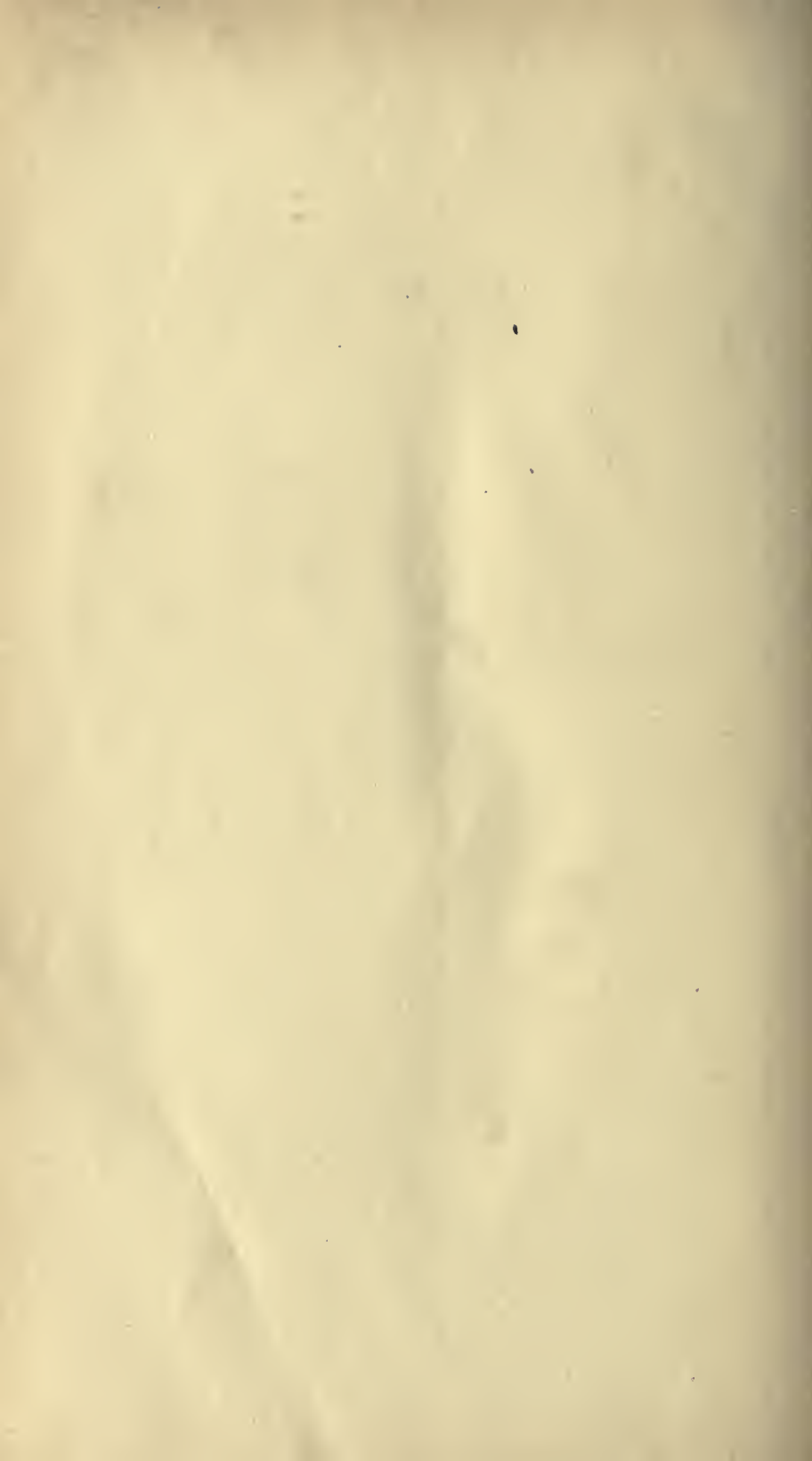


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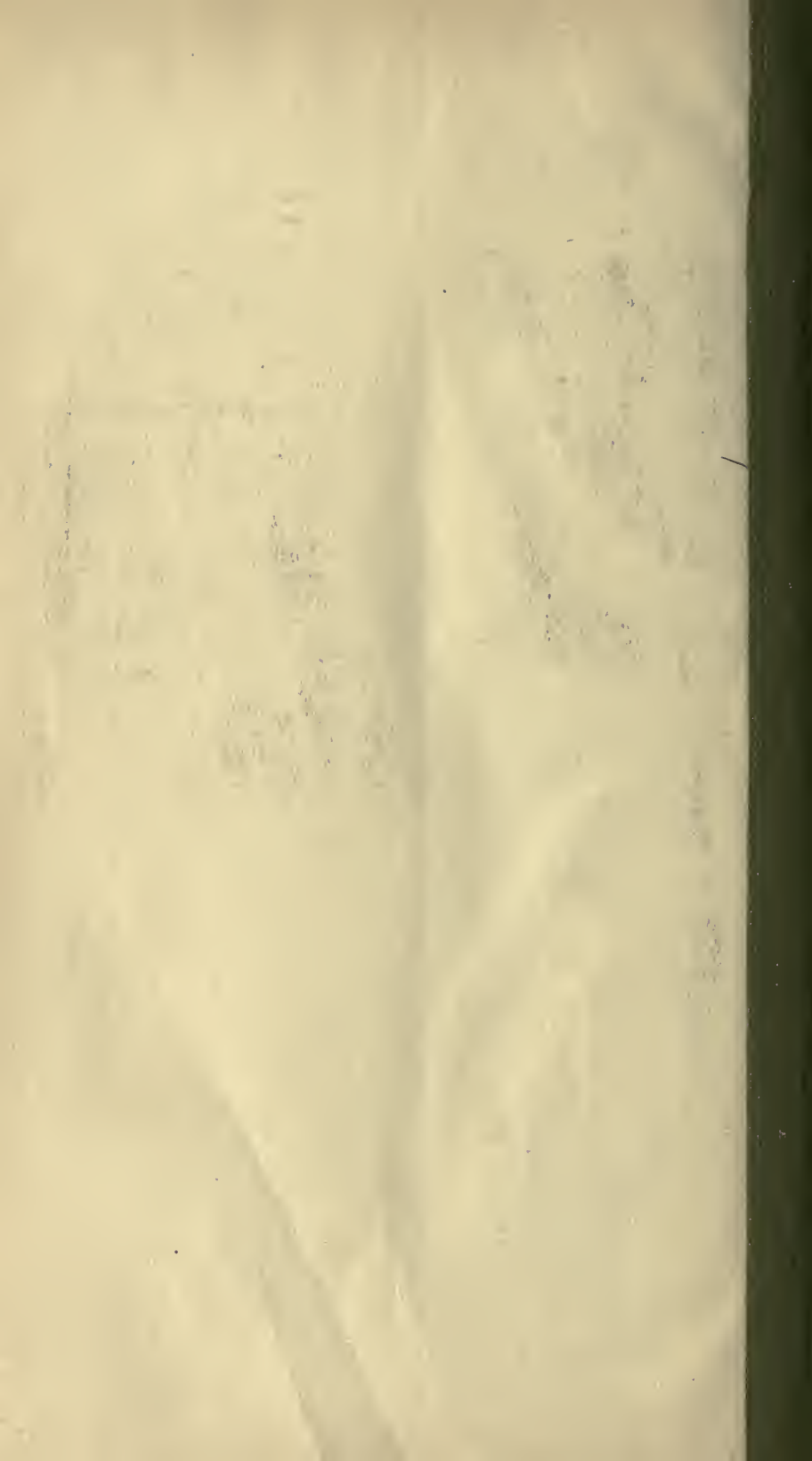












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