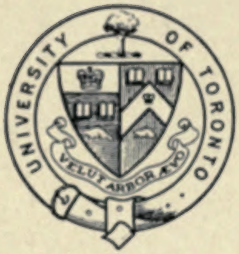
A

-Supporting Empire

Edward Saunders



A SELF-SUPPORTING EMPIRE

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BY

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WITH A FOREWORD

BY

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FOREWORD

"When we speak of Germany having prepared for war during a period of forty years we are apt to think too much of her Army and too little of her methods and achievements in the economic field."

"If in future we permit Germany to secure control of essential raw materials, to establish key industries, to interpenetrate our commercial system, to manipulate our finance to her own benefit, and to seize strategical positions in the shipping world, we may abandon the dream of a permanent British Empire."

In these two quotations from Mr. Saunders' book we have the keynote of his effort to direct our attention to the lessons to be learnt from experience gained

in the world war which is still raging with its devastating and awful tragedies.

How we have helped Germany in the past by our *laissez-faire* methods to build up the vast resources of armies, navies, material, men, and wealth by which she was to attempt the world's domination, is one of those reflections which, whilst it saddens us in our retrospect of the past, ought to be a starting-point for the guidance of our statesmen in the future.

Will we, after the War, resume our old controversies and try and pursue our worn-out methods, or will we realise our own greatness and turn our Empire resources to the benefit of our Empire as a whole—determined thereby to build up commercial and economic bulwarks which will be as necessary to our safety as the existence of our naval and military forces ?

The Empire's sons have come from every quarter to the rescue of the Mother country, to repel the assailants of the world's freedom—who have been fed and

sustained in the past by the abuse of our hospitality and the appropriation (through our folly) of our Empire's resources.

What will eventuate from this wave of patriotism? What will arise as the result of sacrifice and sorrow and endurance unexampled in the history of the world?

To all who wish to pursue this subject, and who desire to see a better way in the future, I commend this book.

EDWARD CARSON.

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A SELF-SUPPORTING EMPIRE

CHAPTER I

THE SPIRIT OF THE EMPIRE

IN the history of the British Empire many of the qualities which go to make up the British character stand revealed. The Empire is the result of no deliberate scheme, no constructive work "according to plan." It arose, slowly and in vague plastic outlines, from the fortuitous concourse of discoverers, merchant adventurers, trading companies, missionaries, and soldiers. The early settlements were born from that love of the sea which is our heritage from roving ancestors; they were peopled by men who united to courage and enterprise the passion for freedom and the instinct for order in social life. Each band of colonisers followed its own bent, asking little, and generally receiving

less, from the State whose boundaries they laboured to extend. Most remarkable of all, their stolid loyalty to inherited faith and habits did not impede the faculty of adapting themselves to new surroundings and of governing native races with unusual sympathy and success. Into the lonely places of the earth they carried an invincible sentiment for the land of their origin—that sentiment which, to this day, leads the Dominion-born man or woman to speak always of Great Britain as Home.

In this haphazard way, almost casually, though with much inner tenacity and assurance, the Empire grew up. We, who inherit the structure, are apt to share some of the spiritual blindness of those who saw it grow. We are not likely to repeat the eighteenth-century folly which alienated the men who founded the United States of America. We are not likely to imitate the nineteenth-century statesmen who regarded the Colonies as a burden on the Mother Country and were anxious to see these encumbrances declare themselves independent. Nevertheless, many of us have shown the characteristic British complacency towards the glories and responsibilities of Empire. Before the War, at any

rate, many took the Empire unemotionally, as a matter of course. Had it belonged to another nation, we would have extolled it as a colossal triumph of expansive vigour and constructive genius; we would have hailed it as a potentiality of civilisation immeasurably beyond the dreams of Rome, or Spain, or any other great Empire of old. But it was merely ours—a natural phenomenon which, like the rising of the sun, had been before us from our infancy and had lost its glory in the commonplace, save when a poet sang to remind us of it.

With our habit of self-depreciation, we failed to realise the magnificence and the meaning of our Imperial heritage. Those vast countries, owning one King and pursuing one Ideal; those illimitable forests, fertile plains, teeming rivers; those untold resources hidden beneath the unpeopled earth; those swarming races of barbaric or savage men held in order and shaped to progress by a handful of our race: even these material greatnesses were little more to the average man than items in geography and history.

Then came the War; and in the first crash of its thunder the Empire became conscious of itself. Some one has said that

Germany is really the great welder of nations; she brought unity of purpose to Great Britain, France, Italy, Roumania, Japan, the United States, and many other countries. She may also claim to have brought into active life the latent unity of the Empire. In all history there is nothing more impressive in itself or more overwhelming in its import than the response from every corner of the Empire to the call of danger. At the time of the South African War the other Dominions were by no means inactive; Canadian and Australasian troops played a notable part in the campaign. But their sympathy, their sense of a common purpose, was not so deep as now. The menace to the Empire was, in a measure, localised; and there was a disturbing controversy on the question whether the Imperial cause were altogether just. Co-operation during that war was like the twilight of dawn in relation to the immediate spontaneous rally when Germany flung down her challenge to civilisation.

The Dominions were swift to see that if Germany carried out her plans the integrity of the Empire was jeopardised and the principles of freedom annulled. So,

on their own initiative and in their own liberal way, they gave their manhood and their money to the holy war. India likewise—the country which the Germans hoped would dissolve in the chaos of revolution—declared and proved her active allegiance to the Empire. The Indian Prince who offered "all that I have" stands for the heart of India. And even from small Protectorates in Africa, where the natives could only vaguely realise the issues at stake, but where they knew something of the contrast between British and German rule, there came messages of loyalty and readiness to serve.

A common enemy, if it be formidable enough and Satanic enough, is certainly the most effective source of cohesion in any group of States. We must recognise, however, that before Germany made the British Empire one in the effort to destroy it, the dream of Imperial unity was already on the way to being realised. Schemes, both economic and political, were on foot to link the scattered portions of the Empire in a single mechanism.

On the economic side, the Dominions had granted a large measure of Preference to the Mother Country and had asked for

Preference in return. Their motive was chiefly sentimental, as they continued their preferential tariff although the door had been banged, bolted, and barred by Great Britain. They acted upon their desire to trade with their own kith and kin rather than with those of alien blood and institutions; and they grasped the basic principle that political unity rests on economic unity. In Great Britain the question of Imperial Preference became a party one, but it is noteworthy that each party claimed that its policy would lead to the consolidation of the Empire. Those who supported Preference declared that it would increase mutual trading and so bring the members of the Empire closer in collective prosperity. Those who opposed Preference spoke of "sordid bonds" which, they asserted, would weaken the links of sentiment which had previously given the Empire an abiding unity.

On the political side the main feature was the evolution of the Imperial Conference. This took its rise—as so many things in connection with the Empire seem to have done—in a more or less casual way. Premiers of the self-governing Dominions were present at the celebration of Queen

Victoria's Jubilee in 1887; and advantage was taken of that fact to hold a Conference on various matters of Imperial interest. How little the importance of such a meeting was appreciated may be gathered from the fact that ten years passed before another Imperial Conference was called. Another significant fact was that the meetings of 1887 and 1897, and the succeeding one in 1902, were described as Colonial Conferences; they were, also, presided over by the Colonial Secretary. At the 1907 Conference, however, "Colonial" became "Imperial," and the Prime Minister took the Colonial Secretary's place as President.

The war brought the culmination of this slow process of development towards a body charged with the direction of Imperial affairs. Representatives of the Dominion were admitted to the Cabinet and shared in the most secret counsels of His Majesty's Ministers. At the same time steps were taken to prepare a constitution for a permanent body which would form the Parliament or Cabinet of the Empire.

Associated with this political advance was the increasing contribution made by the Dominions to the defence of the Empire. For many years the Dominions,

although independent of the Mother Country in finance, had contributed to the cost of Imperial defence, but latterly they took steps to raise and equip both land and sea forces to protect their own territories. The delicate question of the relations of these forces to the general scheme of Imperial strategy was discussed at the Imperial Conference, but it is obvious that this occasional machinery of co-ordination was only a makeshift and must lead up to systematic control by a central representative body.

Thus in three phases — economic, political, and strategical—the movement towards Imperial unity had made considerable headway before the War proved the necessity for consolidation to every intelligent man within the Empire.

This movement would probably have reached its climax sooner if the spirit of men and women in the Dominions had impressed itself more on the imagination of the Mother Country, and if people at home had known more about the Imperial heritage bequeathed to them by the courage and enterprise of their forebears. The flame of patriotism seems to burn brightest in the far-off regions of the Empire, and the

impulse towards combined action for Imperial purposes comes more often from the Dominions than from the Mother Country. Audiences in Great Britain are sometimes inclined to smile at the fervour of speakers from the Dominions. The intensity of their Imperial enthusiasm is indulgently regarded as a sign of youthfulness. But in reality it is due to a deeper understanding and a wider outlook. Kipling's incisive line, "What do they know of England, who only England know," strikes to the root of the matter. If the millions in England who have control over the destinies of the Empire realised all that the Empire means, in natural resources and in men, they would see in the consolidation of that Empire the greatest task to which any nation had ever been committed.

It would be an excellent thing if systematic instruction were given in British schools on the history and potentialities of the Empire. Such instruction, conveyed with the requisite touch of imagination, would give each member of the rising generation a clear comprehension of Imperial glories and responsibilities. The ideal would be reached if a Grand Tour of the Empire were recognised as an essential

element of a liberal education. Those who have made this tour have never failed to be imbued with a spirit of reasoned optimism, and a deep sense of limitless possibilities.

Seldom does one discover a note of ardour, still more seldom of exultation, in a Blue Book, yet that note sounds all through the Report of the Dominions Royal Commission.[1] The investigations of this Commission involved journeys throughout all the self-governing Dominions; and these journeys are described—though in great brevity—with a keen enthusiasm which can leave no reader unmoved.

Canada was traversed from British Columbia to Nova Scotia; and we are given a panorama of wild mountain scenery, fertile valleys with farms and fruit lands, forests and mining camps, yielding to the wheat plains and the prairies, and later to the pines and lakes and mines and farms and industries of Ontario, to Ottawa, Montreal, Quebec, and through the forests and farm lands of New Brunswick to Nova Scotia with its apples and its coal. Aus-

[1] Final Report of the Royal Commission on the National Resource, Trade, and Legislation of Certain Portions of His Majesty's Dominions. (Cd. 8462.) 2s. 6d. net. (H.M. Stationery Office.)

tralia is another land "so vast . . . as to baffle brief description." Glimpses are given of South Australia, Victoria, and New South Wales, with their famous cities and harbours, their rich pastoral and fruit lands and vineyards, their irrigation schemes and mineral wealth. Western Australia is described with its gold deposits and its timber reserves; and Queensland with its minerals, its cereals, and its sugar-cane, coco-nut trees, rubber, mangoes, and other tropical products. New Zealand awakens praise of its great natural beauty and the vigorous farming enterprise which makes it the leading colony in external trade per head of population. South Africa is held to be "one of the most attractive countries in the World"; its indefinable charm makes it, to those who have lived or sojourned there, "the one country to which they desire to return." On the industrial side it is a country of an infinite variety of natural resources. So far, its mineral wealth has been most largely developed—especially its diamonds, gold, and coal—but a great deal remains to be done in exploiting its copper and iron ores. To the agriculturist and planter the Cape Province offers opportunities for

growing cereals, fruits, and vines; in the Orange Free State, maize, wheat, and oats; in the Transvaal, barley and rye as well; in Natal, sugar, coffee, and tea; and in various parts of the Union, cotton and tobacco. Something has been done to realise these productive potentialities, but much more can still be done in this field, and also in the rearing of stock. Newfoundland is mentioned last, as the oldest of the British Colonies, and one with great resources in minerals and fisheries, in timber and agricultural fertility. Labrador, a dependency of Newfoundland, has forests, and fisheries, and mineral deposits which as yet are scarcely tapped.

This brief and manifestly incomplete inventory will be rendered more impressive if we consider the magnitude of the Empire as a whole. The Empire occupies a quarter of the surface of the globe and contains more than a quarter of the total population. The greatest of ancient Empires—that of Rome—had an area of 1,400,000 square miles and a population, at the time of its greatest prosperity, of 85,000,000. Canada covers 4,000,000 square miles, Australia 3,000,000, and the remainder 750,000 square miles, giving the

British Empire more than five times the area of the Roman Empire. In point of population the difference is not so great, as so many portions of the British Empire are as yet thinly populated. Out of the 65,000,000 inhabitants of the self-governing portions, 45,000,000 live in the United Kingdom, leaving 20,000,000 to the 7,000,000 square miles of the five overseas Dominions. India, we may add, has an area of over 1,800,000 square miles and a population of over 315,000,000 — about three-fourths of the total population of the Empire.

The distinguishing feature of the British Empire, in comparison with the Roman and other Empires, is, however, the extent to which the population has migrated from the homeland to the outlying parts.

As the Report of the Dominions Royal Commission says :

> Rome was not a colonising power in our sense of the word, but one whose chief object was to rule and hold. In her case, the occupation and development of the distant parts of the Empire was not the life-work of hundreds of thousands of the best of her citizens. Her settlements were confined to the establishment of small groups, largely composed of disbanded legionaries,

in selected centres on frontiers, military highways, and trade routes.

British rule is directed to ends widely different in character. Its policy is not merely directed to secure settlement in chosen spots, but to encourage it in all the wide areas within the Empire's boundaries, suited for the maintenance and well-being of its people. All that is asked of those who find a new home overseas is to assist in the development of the country of their choice, in whatever manner best suits their training and inclination.

There is little doubt that these Colonists will play their part; they have, as already pointed out, been the dynamic influence in all movements towards the consolidation of the Empire. It is perhaps more necessary to ask those at home to rise to a full sense of the greatness of the Empire and its potentialities. On their readiness to seize the present opportunity depends not only the future of the British people overseas but the destinies of the native races we have undertaken to govern —the three hundred millions in India, the five millions in South Africa, and the other millions among our scattered Protectorates.

Thanks to the lessons of the War, the spirit is, we believe, now willing. The Empire, becoming aware of its essential

unity, is moved with a universal impulse to see that unity expressed in its political system and in the daily relations of trade and intercourse between the constituent parts. The ideal to which its thoughts are now directed is that of a self-consistent and self-supporting Empire, not for aggressive ends or with a view to restricting the peaceful development of other communities, but in order to secure the strength which is essential to freedom and the co-operation which is essential to progress. Knowledge, clear thinking, and a patient study of the matter-of-fact phases of Imperial life and work must accompany the enthusiasm which we all feel, in greater or less degree, for the unfolding promise of the Empire.

It is in aid of these objects that some of the aspects of the problem of a self-supporting Empire are here discussed.

CHAPTER II

THE VALUE OF ECONOMIC INDEPENDENCE

IT is easy to represent—or, rather, to misrepresent—the ideal of a self-supporting Empire as the outcome of a simple desire for wealth. Even if it were only that, if we sought to establish a complete system of reciprocal trade in raw products and manufactures within the Empire for the sole purpose of adding to its material wealth, the ideal would be worth pursuing. But it is more than that. Its motive lies deeper than industry and trade and finance. It lies in the fundamental need in a great Empire of political independence.

The degree of political independence which a State enjoys must vary according to the measure of its economic independence. Any country which becomes economically dependent on another becomes, in reality if not in form, its political

vassal. This axiom of politics was not appreciated by the British nation in the nineteenth century, because a combination of circumstances had given us an economic dominance which we accepted, in our British way, as a matter of course, without analysing it or observing its bearing on the political dominance we regarded as ours by Divine Right. The invention of the steam engine and the locomotive, the exploitation of the vast coal and iron resources adjacent to harbours, and the long series of Continental wars, enabled Great Britain to become the factory of the world. It was the one country which offered an ever-increasing demand for raw materials from all parts of the world; it was the one country from which machinery and merchandise of every description poured in a swelling stream through every trade route.

Under such conditions, and with its Navy the undisputed guardian of the freedom of the seas, Great Britain could almost afford to look with indifference upon the drifting away of the Colonies. Whether they remained Colonies or not, they were subject to the country which provided them with the chief market for their products and with the machinery for develop-

ing their resources. The policy of *laissez-faire* was the natural outcome of this economic supremacy. There was no call for constructive Imperial statesmanship or for organised co-operation in trade when every country paid tribute to Great Britain alike, in bringing and in buying goods. The patriotic British statesmen who exalted *laissez-faire* to the pinnacle of their principles believed that the economic dominance of their country would endure if the channels of international trade were kept open and free. They were cosmopolitan, because no Colony could offer them more than they obtained by economic influence in any other part of the world. From our present standpoint, and with our knowledge of subsequent events in the competition of nations, we see that they were altogether too complacent about the future. But in their time they acted as they thought best for the interests of the British nation, and their policy was a logical enough result from the immediate circumstances.

Certainly they did not foresee that a Continental nation would seize upon the axiom that political independence depends upon economic independence and would

apply it through rapine to the dismemberment of the Empire. All wars may not be, as Mr. Ian Colvin declares they are, waged for economic ends, but undoubtedly the economic motive has underlain the wars which Germany provoked. The annexation of Alsace-Lorraine was not due merely to the lust of conquest or the desire to humiliate France, but to the presence of coal and iron. The greatest of all wars was not undertaken for the glory of a place in the sun any more than to avenge the murders at Serajevo. Its object was to clear the way for German trade westward to the open sea and eastward to the rich markets at which the Berlin-Baghdad railway pointed. It was preceded by a deep-laid scheme of economic penetration, by the forced development of German manufactures, and by State-aided export for the destruction of the economic power of rival nations. When we speak of Germany having prepared for war during a period of forty years, we are apt to think too much of her Army and too little of her methods and achievements in the economic field. The Kaiser is not only the All-Highest Warlord ; he is, and always was, the chief commercial traveller of the German Empire.

It is notorious that the chief thing which Germany hopes to salve from the wreck of her military hopes is an "economic peace." She does not fear the moral condemnation of the world except in so far as it implies an economic boycott. What she wants, and what she will strive for with all her power of bluff, chicanery, and ruthlessness, is the freedom to carry on trade without the restrictions which her enemies at present contemplate for their own economic security. She has drawn up a colossal programme of State-aided shipbuilding: she has accumulated raw materials in her own and in neutral territory; she has allowed her manufacturers to retain all their excess war profits as a fighting fund; and she has encouraged the combination of her producers, merchants, and bankers —all with the object of resuming business which will enable her to recoup, in the economic field, the losses caused by the failure of her military hopes. Everything that appears in the German press is suspect, but there is no reason to doubt the sincerity of the repeated expressions of fear of an economic war. The Ballins and Rathenaus, the financiers and the business-diplomats, know quite well that however the War may

end as a war, it spells disaster to the German ambitions of world-domination if the Allies use their power of economic control against the Central Empires. In Germany the Golden Rule after the War, as before, will be to prevent others doing unto the German as he has done unto others.

As Professor Förster wrote in reply to Admiral von Tirpitz towards the end of 1917 :

Even if the continuation of the struggle for years were to end in our retaining Belgium and possessing the great economic resources of the country, what could all that profit us if the rest of the civilised world were stubbornly to shut itself against us, and to refuse all moral and economic community with us, apart from trade in a few things which everybody requires ?

Assuming even that we conquered all Italy and all Russia, and in addition to Belgium held the whole of the north of France as an economic indemnity and as a base against England, how would all that help us to rebuild our world industry, which is entirely dependent upon the gigantic markets of Pan-America and of the British World-Empire ? . . . *It is by being carried upon the back of the British World-Empire that we have acquired our greatest riches* ; only by the help of that gigantic export could we pay for our indispensable raw materials—for

example, for the wool which we imported from England to the value of about £17,500,000 a year.

The fundamental miscalculation of our might school of politicians is that they do not appreciate the simple truth that there are two parties to all exportation, and that no explosives in the world can enable us to compel a man or a woman in Manchester, Montreal, Chicago, Cairo, or Buenos Aires to buy a single pair of stockings from Chemnitz. If people's hearts are closed to us, their warehouses are closed to us also.

The economic after-effects of war are, in fact, so menacing to Germany in the event of her success as well as her defeat that one might be disposed to absolve her of any commercial intentions in bringing about the War. Two considerations must, however, be borne in mind. The first is the argument developed by M. Millioud [1] that Germany had forced over-production to such a pitch, and had built up such an inflated mountain of paper finance, that she was obliged to embark on a war of conquest in order to avoid bankruptcy. The second is the established fact that Germany hoped to limit the range of hostilities to France, Russia, and Serbia. Von

[1] *The Ruling Caste and Frenzied Trade in Germany*, by Maurice Millioud. (Constable.)

Bethmann-Hollweg's rage over the " scrap of paper " was proof enough of Germany's gross miscalculation. Still less was it contemplated, at that date, that America would ever intervene, and that China, South American States, and other countries would declare war or break off relations. Once at war, and committed to desperate expedients in order to break the naval power of Great Britain and to terrorise neutral nations, Germany could not stem the tide of ostracism. She knows that unless she can force a decision quickly and negotiate for economic freedom (that is to say, for economic licence) she will have undone the whole industrial and commercial fabric which she wove so industriously and so cunningly since first she became an Empire.

It is necessary to touch on these points in order to understand the matter-of-fact necessity for making the Empire self-supporting so far as is humanly possible. If in future we permit Germany to secure control of essential raw materials, to establish key industries under German auspices, to undermine our staple industries, to interpenetrate our commercial system, to manipulate our finance to her own benefit,

and to seize strategical positions in the shipping world, we may abandon the dream of a permanent British Empire.

So much is more widely and clearly understood than it was before August 1914, but the British Empire is so scattered and its machinery is so complicated that the full ultimate effect of the German method of economic attack is not easy to picture. An object-lesson on a small scale may therefore be valuable. Switzerland supplies it. That country was born of the spirit of freedom; and it combines a highly developed democratic system with an intense feeling of national pride. No country was less likely to become subservient to another, save by absolute military conquest. Yet mark what has happened. Germany has transformed it, by peaceful and legal means, into a helpless tool of her economic ambitions. Taking advantage of the fact that Switzerland is, for geographical reasons, practically dependent on Germany for coal, iron, and other raw materials, the German bankers and manufacturers have secured control over industry after industry. Practically every Swiss factory and every Swiss merchant-house of importance is under sus-

picion of German influence; and there is not a large proportion which can give satisfactory proofs of their independence. Swiss finance is to all intents and purposes German finance. So firm is the German grip that the Swiss Government has been unable to prevent the export to Germany, during the War, of electric power generated in Swiss stations near the frontier. The process of penetration has been aided by the easy naturalisation laws, which have enabled thousands of Germans to become Swiss since the War began. These naturalised citizens play their part in elections, in the organisation of "Swiss" societies, in the use of the newspaper press, and in the development of industries and trade—all for the benefit of German paymasters.

Continue that process in imagination for some years more, and you arrive at the picture of a Switzerland of which the husk remains to the Swiss and the nut belongs in effect to Germany. Little wonder that the genuine Swiss manufacturers look anxiously for the victory of the Allies. They see that if Alsace-Lorraine is not restored to France they will remain dependent upon Germany for

essential materials and will have to pay the full German prices in economic and political dependence. With Alsace-Lorraine in French hands, they would have an alternative source of coal and iron, cheap and plentiful enough to break the German monopoly. Even then Switzerland, with her land frontiers and her dependence upon outsiders for so much that her industries need, must look to arrangements with France, Italy, and other Allied Powers for the means of defence against German economic aggression. Being denied the conditions required for self-support she can do no more than choose the nations upon which she can depend with the least prejudice to her national integrity.

The British Empire, happily, has the opportunity of being self-supporting in every vital particular. "We have found," says the Dominions Royal Commission, "that in one part or other of those (self-governing) Dominions all animals and almost every crop flourish that are needed for the sustenance and use of man, and we believe, especially if products of the more tropical parts of the Empire which were not included in our investigation are taken into account, that the Empire could

meet not only its own needs but those of friendly neighbouring countries." As regards mineral resources, practically everything that is required for industries and arts is found within the Empire. In some cases the Empire possesses by far the largest supplies of important materials; and this advantage can be used to ensure for the Empire adequate supplies of other commodities which may be more advantageously derived from other countries. For example, "the possession of assets such as the Canadian asbestos and nickel supplies could be used by the British Empire as a powerful means of economic defence."

The necessity for economic defence is also emphatically stated by the Commission:

> In our opinion it is vital that the Empire should, so far as possible, be placed in a position which would enable it to resist any pressure which a foreign Power or group of Powers could exercise in time of peace or during war in virtue of a control of raw materials and commodities essential for the safety and well-being of the Empire, and it is towards the attainment of this object that co-ordinated effort should be directed.

The conservation of natural resources

and the safeguarding of industries are the two chief phases of economic defence. They are closely bound up with each other, since no industry stands by itself. The chain of cause and effect which leads up to a steam turbine or a scientific instrument reaches back to the mine and the farm : and the aim of a sound trade policy is to make secure every link in that chain. Unless an industry is able to command its supplies of raw materials it is a house built upon the sands.

That is the lesson which the Germans have taught us with tragic force since the War. They appreciated the simple fact that in order to control an industry it is not necessary to acquire its factories ; all that is needed is to command one of the links in its sequence of operations. " Key industries " represent these links. It is sometimes argued that the Germans did not deliberately set about to capture key industries in order either to control our trade or cripple us in time of war. They selected these industries for special development—so the argument runs—because they were the most convenient for manufacturers who were entering the field against established competitors. Nevertheless it

is difficult to believe that the military value of key industries was altogether overlooked by a nation to which war is a form of trade and trade a form of war. German monopoly in the dye industry (so closely associated with the manufacture of explosives), in the magneto industry, in the manufacture of searchlight carbons, in the production of optical glass, and in many essential details of the metallurgical, textile, and other industries, can hardly have been quite fortuitous. In any case the importance of key industries has become obvious; and nobody can deny the necessity of preventing their control passing into the hands of a nation which lives and moves and has its being in ruthless economic conquest.

Never again, therefore, must we neglect even the least of the links in the chain of production. Still less can we afford to neglect the primal link—the control of raw materials.

At one time the British manufacturer was indifferent to the source of his raw materials. Following the tradition of the days when his supremacy was unchallenged, all he cared about was to obtain them cheaply. The Germans were not slow to

take advantage of his easy-going cosmopolitanism. In more than one instance they made the control of raw materials the basis of a world-wide system of commercial penetration. The spelter industry is perhaps the most notorious example. Here the Germans acquired a monopoly of the zinc ore and concentrates of Australia, amounting to about 500,000 tons per annum. Through the Spelter Convention, formed under German influence, practically all the Australian zinc concentrates were sent to Germany or to Belgian smelters who were under the thumb of the Germans. By this arrangement British metallurgical firms were absolutely prevented from obtaining supplies, and thus from acquiring experience in the production of zinc. British enterprise and technical skill were helpless so long as the Germans remained in possession of the chief source of the essential materials —materials which, by the way, were derived from a British Dominion.

After the outbreak of war had shown the absolute necessity for putting an end to this state of affairs, the British Government arranged with the Zinc Producers' Association of Australia for the purchase

of virgin spelter and zinc concentrates over a period of ten years; and the erection of plant for reducing the concentrates was begun both in Australia and in the United Kingdom. Raw material control was, however, only one phase of the German system of domination in the metal market. The British Government found that it was actually obliged to arrange its purchases of many non-ferrous metals through an international organisation under German influence. Some day, perhaps, we shall have the full story of the Metallgesellschaft, which made Frankfort the autocrat of the metal industry. The information is now in the hands of the British Government, which spent a long time in tracing the complex and obscure ramifications of this organisation. Sometimes the firms engaged in the business were wholly German; elsewhere they were financed, more or less secretly, by Germans, while retaining a patriotic appearance; and in other cases they worked under agreements with the German wire-pullers. Following the action of the Australian Government in driving the Germans out of the metal industry of the Dominion, the British Government brought in a Non-Ferrous

Metals Bill, which makes it necessary for every one in the trade, until five years after the War, to obtain a licence. British-born subjects can obtain a licence without inquiry, but the Board of Trade reserves the right to refuse licences, after due inquiry, to naturalised subjects. By this means it is hoped to rid the manufacture and sale of non-ferrous metals (zinc, lead, tin, copper, nickel, antimony, aluminium, etc.) of German control. The words of the President of the Board of Trade, when introducing the Bill, were as emphatic as could be desired; his object is to secure "that all trace of German influence and association—direct or indirect—should be eliminated from any undertaking allowed to do business in this country."

Although the metal industry is thus singled out for special treatment, it is really a type, not an exception. It differs from other industries only in the fact that the German grip upon production and distribution was tighter and more extensive than in the majority of cases. Public opinion has been roused by the humiliating discovery, when war broke out, that Great Britain was dependent upon Germany for three-fourths of the spelter required.

Many precious months were wasted and many thousands of invaluable lives sacrificed by the national indifference to this danger. But the lesson will have been only half-learned if the nation does not realise the importance of maintaining the freedom of every industry in the same way. We speak too glibly of "industries essential to the War," as if they were a class apart. In point of fact, experience has proved that almost every industry is of value, directly or indirectly, to the prosecution of war. And apart from the necessity of being equipped for defence, there has been proof enough that the integrity of the Empire depends upon the conservation of its natural resources and on the safeguarding of its industries and commerce.

In addition to Australian mineral deposits, the list of British Empire industries and products subject to German control includes coal-mines in Great Britain, Canadian timber, African gold- and diamond-mines, tungsten, monazite sands, and many others. Hamburg, it is disturbing to reflect, had become the principal market for a large proportion of the raw products of the Empire. Although from 80 to 85 per cent of the world's nickel is derived from

Canada, most of it found its way to Krupp's works, to be employed in the production of projectiles and armour-plating. When the outbreak of war revealed the folly of this arrangement, the Government of Canada pleaded with the Imperial Government to take possession of the nickel mines, but without success. The lead production in Australia was in a similar condition to the spelter industry, and received the same thorough treatment at the hands of the Australian Government, which encouraged the formation of a special company among the Broken Hill Companies to swell the output of silver-lead concentrates at Port Pirie. In Great Britain we allowed Germany to establish high-temperature coal distillation plants for the production of benzole, which was exported to Germany (72,000,000 gallons went in 1914) for the purpose of manufacturing tri-nitro-toluene —the substance used in high-explosive shells. When the War broke out we had to ask our gas undertakings to improvise plant for the production of this essential munition of war. They did so with remarkable skill and rapidity, but even so much valuable time was lost.

The old policy of *laissez-faire*, from

which these weaknesses arose, has been tested in the fire of war and found wanting. It must be replaced by a policy of collective action between the Mother Country and the Dominions for the purpose of realising, on a permanent and ever-expanding basis, the Imperial self-supporting arrangements which we have been forced by the War to improvise in haste. As a corollary to this constructive policy, there must be an end to the laxity which has enabled German agents to carry on their destructive work under the guise of British subjects. Our naturalisation laws were designed on the assumption that no foreigner would seek British citizenship unless he were genuinely concerned to carry out its obligations as well as to enjoy its privileges. On a similar assumption we allowed swarms of aliens to invade our labour market, staff our offices, and act as commercial spies for German financiers and manufacturers. Even after the War had shown the extent to which the German had become parasitic upon our financial and trade organism, there were many people who did not realise the necessity for drastic action. Instead of the " clean sweep " which, for example, Australia made early in the War, Great

Britain advanced by a series of reluctant steps. This slow conversion, however, has the benefit that it is likely to be long-lasting. The Germans have taught us by blood—the blood of women and children as well as of fighting men—that it is the blood-tie which unites the Empire. On the recognition of that tie the foundations of the new economic order must be laid.

Before discussing any of the special aspects of a self-supporting Empire we may clear away a doubt which arises out of the British habit of self-depreciation. Some publicists and many newspapers are fond of reiterating that German success in trade and industry is due to superior technical ability and organising power. To deal with this question fully would require a volume, but a short and effective answer may be given by referring to the achievements of British science, British engineering, and British organisation since the outbreak of war. Under the stress of urgency we had to improvise a hundred industries, discover or re-discover many processes, and develop an unprecedented output of all manner of things. In spite of inevitable blunder and confusion, we succeeded in a degree of which no nation

need be ashamed. All that is now asked is that the skill and energy so magnificently displayed be turned to the task of reconstructing the Empire on a stable basis.

CHAPTER III

THE BASIC INDUSTRY—AGRICULTURE

NO apology is needed for putting Agriculture in the forefront of any scheme for the evolution of a self-supporting Empire. If any industry is entitled to be described as fundamental, it is the production of food supplies. In time of war it is obvious that lack of food will bring the best-laid military schemes to naught. When Germany saw her dream of military triumph dwindle and disappear, she turned her attention to cutting off the food supplies of Great Britain. With her instinct for the weak spot of the enemy, she developed a submarine policy which promised nothing less than the starvation of Great Britain.

It speaks volumes for the wonderful work of the British Navy and mercantile marine that no appreciable shortage was experienced in England even after two

years of submarine war in which Germany disregarded every law, human or divine, in order to effect her purpose, sinking unarmed craft, enemy or neutral, without compunction. But the Government had no right to rely solely upon the courage and efficiency of British seamen, high though those qualities were. Early in the War the danger was emphatically pointed out, but the Government did nothing until, after two years of increasing menace, the restriction of supplies forced it to act. No steps were taken either to build granaries or to accumulate wheat and other food against emergency; no measures were adopted to encourage farmers to increase their production. On the contrary, disabilities were imposed upon them. The old policy of *laissez-faire* and opportunism —the old lack of prevision, the old indifference to the maintenance of essential industries—prevailed.

The result was that eventually, when something had to be done, the difficulties in the way of effective action had multiplied. Men had to be brought back out of the Army to assist in the tilling of the land; soldiers had to interrupt their training to become farm labourers in the

harvest season; private citizens had to be induced, by a costly campaign of publicity, to undertake the cultivation of allotments; and State aid had to be invoked to organise the production and importation (at a time when every factory and every ship was desperately needed for direct war purposes) of tractors and other farm machinery to take the place of the enlisted farm labourer and to enable more land to be turned to account.

The nation is entitled to congratulate itself upon the measure of success attending these efforts in the face of a million obstacles. But it is not entitled to overlook the fact that much time, labour, money, and military embarrassment would have been saved if preparation had been made in advance instead of at the eleventh hour. Agriculture is not an industry which can be forcibly developed in a hurry. Buildings can be erected, plant installed, and hands trained for the doubling of a process of manufacture within a few months; our output of manufactures for war purposes multiplied at an almost incredible rate when the Ministry of Munitions was formed. But the production of crops must await the seasons,

and it demands a type of experience which cannot be conveyed in a few weeks' intensive training. We are therefore obliged to take long views in the matter of agriculture, unless we intend to revert to the traditional *laissez-faire* which brought us to the verge of disaster.

Agriculture has other claims to consideration than its essential value in time of war. Its prosperity is the necessary foundation of a virile race. This is a matter which will be discussed presently, but for the moment we may take for granted the importance of stimulating this fundamental industry.

The salient fact of British agriculture, however, is that the outbreak of war found it in a depressed condition which had persisted for about half a century. During the past forty years, while the male population of England and Wales increased by 67 per cent, the total male population employed on the land had decreased by 16 per cent, or more than 200,000. In the same period 3½ million acres were converted from arable to grass land. Of this total more than one million acres were converted between the years 1901 and 1914. The following figures,

showing the broad course of events during twenty years, emphasise the painful lesson of the summary facts we have quoted :—

	Average. 1891–1900.	Average. 1901–1910.	Increase + or Decrease −.	
	Acres.	Acres.	Acres.	Per cent.
Arable Land .	16,039,038	15,106,928	− 932,110	− 5·81
Permanent Grass	16,551,872	17,173,474	+ 621,602	+ 3·76
Wheat . .	1,930,143	1,682,153	− 247,990	− 12·85
All Corn Crops .	7,566,017	7,042,408	− 523,609	− 6·92

Impressive as these figures are, they do not tell the whole story. In the Report of the Agricultural Policy Sub-Committee[1] it is stated that since 1870 something like 4,000,000 acres of land in the United Kingdom have been converted from arable to grass, and that, while much of this land was converted with care and according to the best practice of the time, much was merely allowed to revert to grass by the processes of nature, and became of little value as grass. Some of it, indeed, "became clothed with a dense growth of bramble, brier, thorn, and gorse, in which forest trees gradually showed themselves." In such a tangle of unprofitable confusion we may see a monument to the policy of

[1] Part I. of the Report of the Agricultural Policy Sub-Committee of the Reconstruction Committee, 1917. (Cd. 8506.) 8d. net. (H.M. Stationery Office.)

indifference from which most of our British industries have suffered.

The change from arable land to grass was not a matter of free choice. It was an economic necessity. During the latter half of the nineteenth century the British farmer had to face the importation of wheat in ever-increasing quantities, and—which was the worst feature of the case—had to submit to chronic uncertainty on the price he could obtain for his crops. He tried to meet the situation by the suicidal method of "cutting down" expenses, reducing wages to the lowest possible point, and housing his labourers under worse conditions than his animals. With the shadow of bankruptcy deepening over the whole industry, there was no inducement to lay out money in plant which would enable larger areas to be cultivated at a lower cost. On the other hand, there were many circumstances in favour of grass. The Diseases of Animals Act, under which the importation of live stock was prohibited, gave the farmer a preference for home-grown stock; and apart from that particular measure the quality of native meat commanded a ready sale at a high price. Similarly he found,

in the production of milk and other dairy supplies, an assured source of revenue. Over the periods covered by the above table there was an increase of 4·76 per cent in the number of cows and heifers, and of 8·52 per cent in all cattle, while the increases in the acreage devoted to potatoes, small fruits, and orchards were respectively 6·6, 16·17, and 11·53 per cent.

After the War—again, that is to say, when the mischief had long been done—the British Government definitely departed from the policy of leaving the farmer to his fate. The first step was to raise the wages of the farm labourer to a minimum of twenty-five shillings a week; and the next step, logically following the first, was to guarantee to the farmer a minimum price for his cereals. This proposal was embodied in the Production of Corn Bill. In the future it will be possible for the British farmer to produce, at a profit, as much wheat as the land available will permit. The problem of fixing the price so as to ensure this profit and at the same time to do justice to the consumer is not a simple one, but the difficulty is slight in comparison with the benefits

to be derived from the production of the largest possible quantity of wheat for home consumption.

Further, the attention of the Government is not directed solely to the increased production of wheat. "We have no hesitation," says the Agricultural Policy Sub-Committee, "in replying that by the adoption of a complete policy by the State, and by consistent persistence in it, a large proportion of this importation (£200,000,000 of food-stuffs—apart from sugar—per annum) could be produced in the United Kingdom, and that a large addition might be made to the production of cereals and potatoes, not only without a diminution of the production of milk and meat, but with an actual accompanying increase of that production." The Committee claims that every authority consulted takes this view.

Now that the State has intervened, its action is not likely to be limited to the two items of wages and prices. It is necessary, for the true prosperity of agriculture, that the standard of living of the farm labourer should be raised, that his hours of labour should not be excessive, that his accommodation should be good

and ample, and that he should have opportunities of becoming independent, and farming on his own account instead of as a paid servant.

Taking the last item first, what is needed is the development of facilities by companies or landowners, backed by the State, for leasing farm-holdings with the right of purchase. The more capable and ambitious labourers will thus have a chance of becoming peasant proprietors. It will be admitted, however, that in the past the majority of farm labourers have lacked the capacity for this type of enterprise. Poorly paid, imperfectly trained, and heavily overworked, they have been little more than hewers of wood and drawers of water. When farming becomes more prosperous, and when the labourer is educated as a skilled hand, there will be much more likelihood of a vigorous growth of small farmers.

As regards housing, the Ministry of Reconstruction has in view an extensive scheme which will provide, under State guidance and with the aid of public money, the conditions of daily life which are necessary to the health of the agricultural population. Neither good housing nor

high wages will, however, suffice to make farm service attractive to capable men so long as the methods of farming keep them chained for long hours to monotonous toil. British farming in the past has been a combination of empiricism and manual labour. A thorough reformation is needed. Science must take the place of rule-of-thumb tradition, and machinery must set the labourer free from the treadmill that exhausts the body and dulls the intelligence.

Some progress has already been made in both directions. The Board of Agriculture has done good work on its experimental farms, by its investigations into the value of feeding-stuffs and manures, and by its advice to farmers on many of the problems of production. It is recorded that the farmers are showing increasing readiness to make use of the assistance available in the department; and all that we can ask is that ample funds will be provided to permit the work of the Board to be extended and made known to every section of agriculture and every part of the country. There ought to be an adequate system of State-aided instruction by expert chemists, and sufficient scientific

agriculturists in every farming district to visit and assist farmers in every way, and to aid in improving, by lectures and advice, the prevailing methods of cultivation.

Equally important is the training of children in rural districts to an appreciation of the principles of agriculture. Under the Education Bill drafted by Mr. Fisher, the Minister of Education, children in the later years of their school life will spend part of their time in school and part on some form of agricultural training. The school instruction will be arranged to supplement the practical experience gained in the field.

The necessity for raising the standard of technical training and organising skill in British agriculture is proved by comparisons between the productiveness of land in Great Britain and in Germany. The following table summarises results which are given in detail by Mr. T. H. Middleton, C.B. (Assistant Secretary of the Board of Agriculture and Fisheries), in a Parliamentary Paper (Cd. 8305) on " The Recent Development of German Agriculture." They show the relative productions on one hundred acres of cultivated land in Great Britain and Germany :—

	Number of Persons fed.	Tons of Corn.	Tons of Potatoes.	Tons of Meat.	Tons of Milk.	Tons of Sugar.
Great Britain	45 to 50	15	11	4	17½	..
Germany .	70 to 75	33	55	4½	28	2½

These figures must be read in the light of the fact that the soils and climate of Germany are distinctly inferior to those of Great Britain. The higher efficiency of German farming seems to be due mainly to more scientific method in education, the choice of seeds, the diffusion of good stock, and the improvement of manures. There has also been a larger use of machinery. Above all, there has been a consistent policy of State encouragement and organisation. Farmers in Germany have been provided with a basis of security and stability which—in the words of the Agricultural Policy Sub-Committee — is "the foundation of the whole structure," without which increase in production cannot be realised.

From Germany we may derive another lesson—the national value of a large and prosperous agricultural population. In a vague way we are aware that rural industries provide the most virile human

stock, but have we applied the lesson? Have we realised that even a large sacrifice of money in protecting and stimulating agriculture would be repaid manyfold by the asset of an increased population on the land?

From this standpoint, as well as from that of making a country self-supporting, it is essential to guard against over-industrialisation. Von Bülow, in his *Imperial Germany*, deals with this problem very effectively. He recognises that the chief dangers of the concentration of workers in towns and on industrial pursuits are physical more than moral and intellectual. The health of men and the fertility of women suffer under the conditions of town life, as is proved respectively by the tests of military fitness and the birth-rates. Between 1850 and 1912 the percentage of German population engaged in agriculture decreased from 65 to 28·6. It is no wonder, therefore, that Von Bülow took the situation very seriously, and pointed out that "every weakening of agriculture means a weakening of our power of defence, a diminution of our national strength and safety. . . . As the statistics show, in future even more than

was the case since the end of the 'nineties, the task of protecting trade and property in the Empire will fall to the rural population."

Accordingly he puts forward the protection of agriculture as "a national duty of great importance—a duty which would have to be fulfilled even if agriculture were of far less economic value than is actually the case." It is remarkable that, although during 1907 less than 15,000,000 people were engaged in agriculture and nearly 26,380,000 in industries, the value of agricultural produce was equal to, if not greater than, that of the product of industries. The output of milk alone was valued at 2600 million marks in 1906, while that of the mines was only 1600 million marks. More important than such a comparison, however, is the extent to which agriculture and industry react on the stimulation and the money-making powers of commerce. In this regard agriculture is by far the most important customer of industry in the home market. The old proverb, "If the peasant has money, then every one else has it too," is, declares Von Bülow, literally true.

We need not follow Von Bülow's argu-

ment about the dominating value of agriculture in time of war too closely. Great Britain has had its own clear lesson on that score, and is likely to act upon it, though without endorsing Von Bülow's belief that "war is an essential element in God's scheme of the world." His case for a protective tariff on agriculture will stand equally well on a peace basis. "If," he says, "we sacrificed the protective tariff on agricultural products in order to lower the cost of living by means of cheap imports, the danger would arise that agricultural work would grow more and more unprofitable, and would have to be given up to a greater and greater extent. We should go the way England has gone." Countries with thriving agriculture have a greater power of resistance in critical times than those dependent entirely on commerce and industry; and it is the business of the State to see that no indispensable industry like agriculture suffers in order that other branches of industry may thrive the more easily and quickly. Therefore the policy of Germany was directed to maintaining, by protection, agriculture and other industries in a position to compete with foreign goods, and it

also aimed at arranging commercial treaties to keep foreign markets open to industrial exports and foreign trade.

It is notorious that Germany did not find it an easy task to reconcile the interests of the agrarians and the industrialists. Their extreme demands were, as Von Bülow indicates, opposed to each other; and it was necessary to strike a middle course, represented by the Tariff Law of 1902. Under that tariff German agriculture entered a period of vigorous development. At the same time, as we know to our cost, the export trade in German manufactures was multiplied. Von Bülow's final verdict is that, " from the economic point of view in particular, the German nation has reason to be content with the result of its development during the last decade, and to hope that the courses on which it has embarked, and which have proved so profitable, will not be abandoned."

This review of events in Germany brings agriculture into its true national perspective. Public opinion in Great Britain is fairly well alive to the necessity of safeguarding manufacturing industries; it needs to be awakened to the vital importance of agriculture, both in peace and in

war. It needs to recognise that the long-desired revival of agriculture requires a foundation of economic security. But now that the Government has begun to lay the foundation, by guaranteeing a profitable price for cereals, the secondary problems of better education and better organisation must be tackled without delay. And beyond these problems lies that of making agricultural life attractive to an increasing number of people. Better economic conditions will undoubtedly draw more men back to the land, but the assurance of profit is not everything. The flow of population to the towns has been due in part to the more interesting and exciting life which crowded centres provide. Appropriate education in rural schools will tend to give the majority of the new generation a keener interest in their environment and a deeper love of nature. But the social difficulty remains. It is due to the comparative isolation of people living in the country; and this can be modified only by improvement in the means of communication. The development of the telephone and of mechanical transport is one of the most obvious steps. In Canada and the United States the telephone is an essential item

of rural life, bringing distant neighbours into close touch with each other and promoting social intercourse. Mechanical transport, when it develops along the lines opened up before the War, will give the rural population easy access to towns fifteen or twenty miles distant. When machinery is more largely used in farming, the labourer will have more leisure to take advantage of the facilities for education and recreation thus opened up.

A word needs to be said, in conclusion, on the subject of Sugar Beet, mainly because it provides an example of how the State may assist in the organisation of a new form of agricultural enterprise.

For many years the importance of the Sugar Beet industry was urged upon the attention of the Government. The pioneering work of individual agriculturists proved that sugar beet could be grown successfully in many districts of England and Wales; and all that remained to be done was to demonstrate that, under the conditions governing the sugar trade, it could be grown at a profit. The Government was prevented from assisting by two obstacles of its own making. One was the Brussels Sugar Convention, which pre-

vented the giving of bounties for the export of sugar; the Board of Trade, with a punctiliousness which was certainly inspired by *laissez-faire* traditions, considered that this prohibition included the payment of grants to assist the production of home-grown sugar, some of which might be exported. The second obstacle was that the Development Commission was not allowed to advance money to associations trading for profit.

In 1913 the British Government withdrew from the Sugar Convention, and reserved the right, while adhering to the fundamental principles of the Convention, to assist in the promotion of the Sugar Beet industry. In 1917, when the War had proved how valuable an asset had been lost to the country by its lack of foresight and of constructive policy, the Development Commissioners recommended a loan of £125,000 for a sugar-beet experiment on a large scale at Kelham, Nottinghamshire. Questions of management and finance were held over for later consideration—an interesting proof of the total lack of any machinery in Great Britain for the launching of new industries which, by their speculative nature and their fiscal

bearings, required the aid of the Government.

During the same year the Development Commissioners recommended advances of £50,000 for improving the fish food supply by installing motors in fishing-boats, of £1830 for investigations into the effect of electrical discharges on crops, of £3200 for augmenting the production of eggs and poultry, and of £1200 for experiments in the growing of tobacco on British soil. These are among the signs of the dawning of a new day in the policy of the Government in safeguarding and promoting the nation's food supply.

Many of the arguments advanced in this chapter apply to the Dominions and Colonies as well as to Great Britain. It is important that each part of the Empire should be ensured of an adequate food supply and should seek to establish a virile and prosperous population on its soil. Beyond that the problem has an Imperial aspect. However much the agricultural possibilities of Great Britain may be developed, it is unlikely that the home-grown food supplies will come within range of the total consumption. Grain, dairy produce, meat, and other food-stuffs must

continue to be imported in large quantities. Moreover, the total demand of the world for food is rising steadily with the increase in population and the improvement in the standard of living in many countries. With regard to wheat, for instance, the production within the Empire appears to have been in recent years slightly less than the consumption.

These broad facts indicate that the fostering of British agriculture need not be regarded as implying any restriction of effort in other parts of the Empire which look to the Mother Country as their chief market. They suggest, rather, an Imperial development policy which will encourage every Dominion and every Colony to contribute an ever-growing fraction of the common stock of food. While the War has emphasised the folly of allowing British agriculture to fall into a state of comparative decay, it has also illustrated the advantages of union with territories whose surplus food-stuffs were directly available for Imperial needs. The tendency in the future should certainly be for the Mother Country to import from the Dominions and Colonies in preference to other countries, and for each section of the lands overseas

to develop the supplies which it is best fitted to produce. No scheme of this kind can, however, be developed to its full Imperial value without careful study and organisation. Hitherto, as the Dominions Royal Commission points out, the measures taken to stimulate and control supplies of food-stuffs, as well as of raw materials, have not formed part of any co-ordinated efforts or maturely considered scheme; they have been dictated from day to day by the urgent and changing needs of the moment. There should, consequently, be a preliminary survey of "the relation between Empire production and Empire requirements throughout the whole range of articles needed for the sustenance and well-being of the people," in addition to the maintenance of industry and the production of munitions of war.

As regards agricultural supplies, the investigation will be directed towards ascertaining what part or parts of the Empire have the soil, climate, and other conditions most suited for their production. To take a specific example, the Empire is practically dependent on outside sources (chiefly Argentina) for its supplies of maize, which is not only an important food for human

beings and for cattle, pigs, and poultry, but is of great potential value as a cheap and easy source of industrial alcohol. The Commission suggests that Rhodesia and the Union of South Africa form a most promising field for development, and that the Government of the Union should take steps to stimulate the production of maize, and should also take expert advice on the possibility of using the maize locally for the production of alcohol.

Again, the dependence of the United Kingdom upon South America for large quantities of meat forms a case for developing cattle-breeding, sheep-rearing, and the keeping of pigs, not only in the British Isles but in the Dominions and particularly in Canada, where these industries are at present little developed. It is a disturbing fact that the United Kingdom exports cattle and sheep for breeding purposes to the Argentine Republic in larger quantities than to all the Dominions put together.

In a later chapter we shall deal with the causes and remedies relating to this peculiar state of affairs. For the present we merely note this example as strengthening the demand for direct encouragement of Imperial production by the British and

Dominion Governments. Whether by bounties on output, or by Government purchase at a minimum price (as in the case of British wheat), or by preferential tariffs, or by the improvement of Imperial shipping and harbour facilities, or by other means, the definite correlation of food-production within the Empire is a vital phase of constructive policy. As an auxiliary, it is of the highest importance that technical knowledge acquired by research into the improvement of crops, the evolution of new breeds, and the production and qualities of fertilisers and cattle feeding-stuffs, shall be made freely available over the Empire.

CHAPTER IV

THE ORGANISATION OF INDUSTRIES

A GREAT deal of what has already been said on Imperial reconstruction and the development of agriculture applies equally well to the organisation of manufacturing industries, which form the second main pillar of the economic structure. In this field there is the same need for long views and constructive policies, the same clear call for the abandonment of the old indifference and complacent opportunism.

The problem of industrial organisation is twofold. It involves the relations between employers and employed, and also the relations between employees in the same and in associated industries.

After British industrialism was born, it grew up under a system which may be described as the despotism of the Master

tempered by revolt. Later, when Trade Unionism developed and was not only legalised but put in some respects above the law, the system became one of the despotism of the Man tempered by lock-outs. Neither description is more than a rough summary of the situation, but both are accurate in so far as they indicate the spirit of antagonism which prevailed.

Even in times of peace the chronic conflict between Capital and Labour was a serious handicap. Industries which are continually disturbed by discord, strikes, and lock-outs are gravely hindered in competition with rivals which have discovered a *modus vivendi* between employer and employed. And in times of war the common interests of the two sections are so manifest that any one might have felt justified in regarding serious industrial disputes as impossible. Nevertheless they continued. Although the Trade Unions patriotically yielded up many of their cherished privileges in the interests of production for war, and although strikes were made illegal, the struggle was not abated. The initiative in agitation passed to Shop Stewards, who organised strikes just as in the days of peace, and eventually

became so powerful that they obtained recognition from the Government.

The prime source of all this trouble is that for generations Capital has been seeking to get as much as possible for itself while giving Labour as little as possible, and that Labour, on the other hand, has waged a war to avoid working any harder than was absolutely necessary for the fixed wage it was paid. Each side has its apologists, who are fertile in excuses and disclaimers, but they cannot obscure the fact that the system is fundamentally wrong. In the ordinary industrial undertaking no provision is made for giving effect to the essential co-operation between the two interests. So much is this the case that a large section of the Labour world advocates the destruction of Capital as the only solution.

Happily there is an alternative to economic suicide. Modern industries are built up on machinery; their output per pound sterling invested depends chiefly on the use made of power-driven plant. Labour, acting in what it considered to be its own interests, restricted the output of the machines it was set to operate; and at the same time it fought Capital for

higher wages and shorter hours. Capital, on its side, being prevented from gaining the full output from its investment, opposed these demands. On this hopelessly uneconomic system it was impossible for either Labour or Capital to thrive; and the first essential to reform is obviously to abolish the artificial limit on the productiveness of machinery.

When this is done it will be possible for Capital to earn an adequate return, and at the same time for Labour to secure much higher wages without working harder. Wages will, in fact, increase on a sliding scale according to output, instead of being at a rate fixed, as it were, by treaty on the field of battle. On some such basis of mutual gain, and on such basis alone, can any reconciliation of the two interests be accomplished.

Various approaches have been made to it in the past. "Piecework" is, in theory, the thing desired, but as a rule the rates for piecework were determined on the principle that there was a certain sum which each class of workman "ought to earn." Therefore when a man's earnings were brought by his skill or diligence above the standard, the employer too

often tried to reduce the rate, with the result that the workman reduced the output. To some extent the War has cut into this vicious circle, but it will never be completely broken until there is systematic co-operation between Capital and Labour in settling conditions of employment. The alternative is a resumption of industrial war, each side endeavouring by repeated trials of strength to get some advantage over the other.

The need for councils of employer and employed became so conspicuous during the War that the British Government formed a special Sub-Committee of the Reconstruction Committee to examine the subject. This Committee's Report,[1] which is generally known as the Whitley Report, has been adopted by the War Cabinet, which took early steps to put its recommendations into effect. The essence of the scheme is the appointment of Joint Standing Industrial Councils, representing employers and employed, for the rapid settlement of disputes and the adjustment of working conditions. At one end of the

[1] Interim Report on Joint Standing Industrial Councils (Sub-Committee of the Reconstruction Committee on Relations between Employers and Employed). (Cd. 8606.) 1917.

scale is a Committee for the individual factory; and at the other end is a National Industrial Council which surveys the whole field and discusses problems which concern industry in general. Between the two there will be a number of Councils representing particular industries grouped according to their geographical distribution. By this combination of local and national machinery it is hoped that each factory and each industry will have a ready means of settling its affairs, and that the more refractory problems will be solved by appeal either to the Council for the industry concerned or to the National Council.

The development of Joint Industrial Councils ought to have far-reaching effects. It should engender a better feeling between the two classes involved, by keeping them in close personal touch and by substituting friendly arbitration for the appeal to force. It should abate the discontent among the working classes by establishing the State—not the capitalist—as the ultimate controller of the scale of wages, the conditions of labour and of housing, and of facilities for education and social betterment. It should also lead to an

improvement in the functions of Trade Unions. These bodies have hitherto been like nations which spend the bulk of their resources on armaments. The contributions from the members have been regarded mainly as a fund for fighting employers. When costly and destructive war is replaced by negotiations on the basis of common interests, large funds will be released for the direct benefit of the workers, and also, perhaps, for the organisation of productive effort on a co-operative basis or on that suggested by the proposed Guilds of Industry. It is sometimes argued —and with some show of reason—that the true solution for the Capital and Labour difficulty is to give every workman the opportunity of becoming a capitalist. He will have that chance, individually, when Labour earns more than it consumes; and he will have it collectively when Trade Union funds are available for constructive enterprise.

The organisation of each industry and each group of industries will be recognised as essential to the effective formation of Joint Industrial Councils. Such collective organisation, however, is of vast importance in itself. One thing which must be

put to the credit of the British Government during the War is its vigorous encouragement of association among manufacturers and producers. Even the perils of Trusts and Combines have been cheerfully faced for the benefits to be derived from a united industry. Experience has proved that the advantages to be derived from the exchange of ideas on broad principles of production, and from combined action in meeting home demands and developing export trade, far outweigh anything gained from the secretive individualism on which the British manufacturer used to pride himself.

In the scientific field—with which manufacture is so closely bound up—the free interchange of knowledge is carried out as a matter of course. For example, new discoveries and theories in chemistry are openly discussed before the Chemical Societies, and the discussion stimulates speculation and research which may lead to practical results. But although information is thus thrown into the common stock, the individual chemist is free to use the information, according to his own skill, in his profession.

There is no reason why manufacturers

should not apply the same method in their business. Wherever they have done so they have conferred immense benefit on themselves and on everybody else concerned.

A conspicuous case in point is provided by the Java Sugar industry. At one time, owing to various causes, this industry was threatened with extinction; and the common danger broke down the barriers of individualism and jealousy which had kept the various mills in the island apart. Exchange of ideas was swiftly followed by exchange of financial information, and in a short time every mill arranged its figures on a definite system for purposes of comparison and welcomed inspection and technical assistance from every other mill. To-day the system has extended far and wide, so that throughout the Cane Sugar world it is an unwritten law that any mill manager, chemist, or engineer is free to examine what others are doing. Only by this means was the Cane Sugar industry able to survive against the Beet Sugar industry, which at one time, owing to bounties and other advantages, was on the point of destroying it.

The Magneto industry—a typical key

industry — affords another example. Before the War the Germans had a practical monopoly of the manufacture of magnetos for the British market; and with the cutting off of the German supply it was necessary for Great Britain to organise the production of magnetos on the largest possible scale in the shortest possible time. Several firms were encouraged to make the attempt; and it was a condition of Government support that they should work in harmony one with another, pooling technical information and manufacturing experience. As a result, British magnetos were soon being turned out, in large quantities, superior in quality to the German magnetos. Co-operation achieved in a few months a measure of success which the old system of every man for himself could not have approached in several years.

Another example deserves to be quoted because it illustrates the enormous advantage which organisation gives in reducing the costs of production and developing trade at home and abroad. The makers of machine tools in Great Britain used to compete vigorously with each other. Although most firms specialised in certain types of tool, they also made types in

which rival firms sought to specialise. The resulting waste of effort gave American and German makers an easy access to the British market, and they were not slow to take advantage of it. When the War demand arose each firm was led to concentrate on the types for which its works were best fitted, and as an indirect outcome of this change a dozen firms agreed to perpetuate the system for normal trade. The Associated British Machine Tool Manufacturers, Limited, was formed to organise this admirable form of co-operation. Each member agrees not to manufacture the types of tool produced by the others. Two firms which had been making a certain type of drill arranged that one should confine itself to certain sizes, the other firm manufacturing the remainder. Special designs, on which firms had prided themselves, were sacrificed in favour of standard designs, so that the benefits of mass production could be secured. In other cases firms agreed to take up the manufacture, on a large scale, of machines which had previously been mainly imported, and the Company arranged to open joint headquarters in foreign countries, with large showrooms, where every type of machine

tool could be displayed, and with a highly paid technical staff to advise customers and to look after the installation of machine tools. It is obvious that no individual firm could afford to do things on such an effective scale, and that such a combination, covering practically the whole machine tool demand, is in a position to secure orders which the isolated maker would have the greatest difficulty in capturing from the large combines of Germany and America.

Even without this strict delimitation of output among makers who previously overlapped each other's enterprise, manufacturers are finding association valuable in reducing destructive competition and in stimulating export trade. When the British Electrical and Allied Manufacturers' Association was formed, it had to deal with an industry distracted by internal rivalries; and in time it "tempered competition with conference" and united the warring firms in measures for the common security. In addition it formed Overseas Committees to represent the interests of British electrical manufacturers as a whole, in the Dominions and in other markets abroad.

Such bodies as the British Engineers' Association and the Federation of British Industries represent a broader form of co-operation. They unite various classes of home producers. The first has already done a good deal in fostering British trade in the East and elsewhere ; and the second is contemplating an ambitious scheme for commercial representatives—a form of non-official Consuls—in various countries. The broadest synthesis of all is represented by the British Empire Producers' Organisation, which seeks to unite all the associations of makers of plant and producers of raw materials. The success which has attended this organisation is the best possible proof of the vitality of the new spirit of co-operation and systematic development.

CHAPTER V

IMPERIAL PREFERENCE

AMONGST the harmonies which exist between the Dominions and the Mother Country there has intruded one notable discord. While all the Dominions adopted protection for their home industries and granted preference on an Imperial basis, Great Britain refused to do either. In spite of the offers made by the Dominions, and in spite of the wide support given to the Tariff Reform movement, the British Government adhered to the letter of the Free Trade law expounded in the days of Cobden and Bright.

We have already discussed the main reasons for the survival of the Free Trade tradition in Great Britain—the feeling of security engendered by the monopoly of industrial production during a period of European wars, and the firm conviction

that the cheap imports which were so profitable then would remain the foundation of manufacturing prosperity. Our accumulated wealth, and the new markets opening up in the Colonies and the United States, masked the effect of competition from other nations which, belying Cobden's expectation that all nations would follow Great Britain on the guaranteed road to wealth, fostered their industries with protection, met us successfully in our own markets, and shut us out of their own spheres of influence. Persistence in the doctrinaire attitude of *laissez-faire* was aided by the connection between Tariff Reform and party politics, which led to the identification of Free Trade with a powerful party engaged on a series of popular measures which had little relation, logical or otherwise, to fiscal questions.

The War has destroyed the old sense of security, already shaken by the expansion of competing industrial nations, the penetration of our industries and trade by German enterprise, the swift recurrence of cycles of unemployment, and the chronic discontent with low wages. The War has also lifted the questions of the safeguarding of industries and the conservation of raw

materials out of the narrow confines of party politics and set them on their proper basis as problems of Imperial meaning. Without waiting for a General Election the Government invested money in the dye industry, helped to finance and encourage other key industries which had been in the hands of the Germans, passed the Non-Ferrous Metal Industry Bill, and brought forward a measure to secure complete control of imports and exports for three years after the War.

While it is true that these were war measures, it is equally true that they mark a new era of constructive policy in trade and industry. The orthodoxy of Free Trade has become a heresy. It does not follow, however, that Protection, as understood in the past, will be found applicable to the future development of British industries. Although protective duties do stimulate industries, they were proposed in such a form that, in most cases, they would tend to benefit the few at the expense of the many. That is to say, they would enable the capitalist to earn larger dividends, but did not guarantee a due share in the advantage to the worker.

In some degree this drawback can be

overcome by the closer co-operation between Capital and Labour discussed in the previous chapter. But more important is it to realise that our Imperial position enables us to safeguard our industries in effective ways which lie outside the particular programme of Tariff Reform around which so much controversy has raged.

As already pointed out, Great Britain can obtain nearly all the raw materials required for its industries from the Dominions ; and in many cases the Empire enjoys a monopoly of essential products. If, instead of allowing our competitors to obtain these raw materials on the same basis as ourselves—a policy which enabled them sometimes to control the supplies and re-sell them to the British at a large profit —we reverse the process and charge them a higher price, then our manufacturers are afforded an advantage which does not in any way add to their costs of production. Where, as in the case of Chilian nitrates, a foreign country has the monopoly of a raw material, our Imperial resources enable us to bargain to advantage for supplies of such raw materials in return for others which the particular country needs.

Another means of protection on an

Imperial basis lies in the organisation of a system of cheap freights for all low-grade raw materials. This is really a direct measure of economic defence, rendered necessary by the State-aided rivalry of German shipping. As it will be dealt with in a later chapter we need do no more at this point than indicate its place in the new system of industrial protection. The German plans were devised not only to divert the carrying trade from British lines but also to make British manufacturers pay more than the Germans for their raw materials.

The most fundamental and far-reaching form of protection lies in Imperial Preference. It involves the same question of co-operation or individualism, of organisation or *laissez-faire*, as is presented by the development of industry. Are we, after the War, going to work together as a united Empire? Are the Dominions and the United Kingdom prepared to give and take for the common cause; or is the old principle of isolation to survive?

It is incredible that the people of common blood who have fought together on the battlefields of Europe for the vindication of right against might, of liberty

and justice against military domination and its associated crimes, can be content with anything but political unity in the future. Now that a beginning has been made towards a Parliament of the Empire, the practical problem is to discover and utilise every means of reinforcing the essential community of interests. Among these means the most prominent are: (1) Closer business relations; (2) more direct intercourse and exchange of ideas; and (3) the direction of all our efforts, in statesmanship, finance, and industry, to bring about inter-Imperial preferential treatment and mutual assistance in the development of Imperial resources.

The trend of opinion towards these principles is well illustrated by the report of the Royal Commission presided over by Lord Balfour of Burleigh. This Commission, which included eight Free Traders in its eighteen members, was appointed in July 1916 to consider the commercial and industrial policy to be adopted by Great Britain after the War, with special reference to the conclusions reached at the Economic Conference of the Allies, and to the maintenance of industries essential to the safety of the nation, the recovery of home and

foreign trade lost during the War, the opening up of new markets, the development of the resources of the Empire, and their preservation from foreign control. The main conclusions reached by the Commission were as follow :—

1. In the light of experience gained during the War, we consider that special steps must be taken to stimulate the production of food-stuffs, raw materials, and manufactured articles within the Empire wherever the expansion of production is possible and economically desirable for the safety and welfare of the Empire as a whole.

2. We therefore recommend that His Majesty's Government should now declare adherence to the principle that preference should be accorded to the products and manufactures of the British Overseas Dominions in respect of any Customs duties now or hereafter to be imposed on imports into the United Kingdom.

3. Further, it will, in our opinion, be necessary to take into early consideration, as one of the methods of achieving the above objects, the desirability of establishing a wider range of Customs duties which would be remitted or reduced on the products and manufactures of the Empire, and which would form the basis of commercial treaties with Allied and Neutral Powers. This important resolution, if carried into effect, will mean that when the War is over,

there will be a system of reciprocity between all parts of the Empire for united assistance.

It is interesting to compare these recommendations with proposals formulated by the British Empire Producers' Organisation for the development of sugar production within the Empire. Although they thus relate to a specific industry, they are intended as a model for other industries :—

1. That there shall be a general tariff applicable to neutrals.
2. That there shall be a preference of 50 per cent off such tariff to Empire products.
3. That a preference of 12½ per cent shall be granted to Allies who are willing to reciprocate.
4. That there shall be a sur-tax of 50 per cent on all goods from enemy countries.
5. That there shall be a dumping clause on the lines of the Canadian Tariff.
6. That any assistance by way of bounty, kartel, rebate of freight, or any artificial means whatever shall be immediately countervailed before applying the tariff.

These suggestions were offered as embodying definite lines on which tariffs could be applied, providing a distinct preference to the Empire over neutrals and a smaller preference to Allies who were willing to reciprocate. Two considera-

tions must be borne in mind when applying such a scheme to industries in general. One is that every commodity should be dealt with on its own merits, subject to the principle that tariffs should be confined to manufactured and semi-manufactured goods, keeping food-stuffs free wherever possible. The other is that each Colony or Dominion must remain absolutely at liberty to make its own fiscal arrangements. Any arrangement arrived at must be the outcome of spontaneous agreement.

We may be sure that the spirit prevailing throughout the Empire will be equal to building up a firm structure of Imperial reciprocity on foundations of freedom. In addition to a positive form of patriotism there is a deep feeling that the social and economic fabric must be protected against the corrosive influence of the German. This feeling is far from characteristic of the Briton. He has shown himself, time and again, chivalrous to a fault in his treatment of nations with which he had been at war. But the German, both in peace and in war, is a thing apart, and is recognised as an abiding menace to civilisation. Therefore to place the German on the same footing as a nation which respects

treaties, seeks peace, and conducts its commerce on non-destructive lines is to outrage the elementary sense of justice. A united Empire, utilising its resources in materials and in men to the fullest extent on a consistent plan of mutual aid, would be the strongest defence against the resumption of the economic war for which Germany is undoubtedly preparing.

CHAPTER VI

THE ORGANISATION OF IMPERIAL FINANCE

WHEN the War broke out, one of the first tasks of the Empire was to eradicate the fibres which the German parasite had thrust through every tissue—political, commercial, and financial. In no direction was this operation more tedious and difficult than in finance. So deeply had German connections penetrated the British financial system that it was almost impossible to cut them without inflicting a mortal wound on the system itself.

The reason for this embarrassing state of affairs was simply that British finance has always been cosmopolitan. It has been cosmopolitan both in men and in method, but particularly in method. London, as the clearing-house for money, kept the door open to the whole world, and lent money as freely to the foreign

exploiter as to the British manufacturer or the Empire-builder. Here again we find the origin of this tradition in the period of Britain's supremacy in wealth and in production. When Britain was the world's workshop, an investment of capital in any part of the world brought business to British factories and British shipping. Nobody dreamed of a possible state of affairs in which British savings should be lent at a low rate of interest to the foreigner, who used them to earn a large profit and to support industries in deadly competition with those of Britain. Nobody imagined that in course of time the Germans would take advantage of the open door of finance to invade us on political and industrial lines.

Previous to the War, there were many discussions on the policy of pouring British capital into foreign countries, and the advocates of *laissez-faire* had plenty of specious arguments in favour of free trade in money. These arguments represented British investments abroad as bread cast upon the waters, which was sure to return to us. Since the War, however, two factors have risen into prominence and reduced these arguments to negligible proportions.

The first is the realisation of how Germany wove her plans of peaceful yet fatal penetration from the strands of finance, industry, and political intrigue. The second is the scarcity of capital and the consequent necessity for conserving it in the interests of Imperial development. If there be any surplus available after the needs of Great Britain and the Dominions and Colonies are fully met, it must go to the nations which have stood by us in the destruction of the Prussian menace to civilisation.

The method which Germany adopted in making use of our cosmopolitan complacency in finance for the undermining of British interests has been so often described that there is no need to describe it again in detail. German Banks, acting on behalf of German manufacturers and merchants in all parts of the world, discounted their bills in London. Thus our German competitors were able to obtain longer credits and to buy raw materials on more favourable terms than ourselves. A typical example of how this ingenious yet simple system cut the British manufacturer out of his legitimate sphere is provided by the Victoria Falls Power Company. The debentures for this undertaking were sub-

scribed for by the Germans themselves, and the shares were put on the British market after a most subtle publicity campaign, in which the enterprise was represented in the attractive guise of a grandiose scheme for tapping the power of the Victoria Falls, although that development is still in the far distance. The British investor provided security for the German-held debentures, taking all the risk of failure, while the orders for the plant went to German factories.

It is estimated that our investments overseas amounted to about £3,500,000,000 when war broke out, and that only one-third of this large total had been absorbed in the Empire. But apart from such instances of deliberate diversion as that just mentioned, it often happened that the British money invested in British territory did not bring orders to the home country. For example, millions of British money were sunk in Canadian railways, but the equipment was purchased mainly in the United States. Therefore the first essential of reform is to establish the principle of reciprocity in Imperial finance. Such reciprocity is the logical companion of reciprocity in trade. As Mr. Ben H. Morgan

said in an address to the Royal Colonial Institute :—

> The stern teaching of war has compelled us at last to recognise the absolute folly of treating British credit otherwise than as one of the most precious of Imperial assets. What should we think in private life of the head of a family who, with large means at his disposal, and with two or three sons, each with a sound business of his own, should deny them financial assistance which he lavished in hazardous enterprises conducted by strangers? This, after all, is no more nor less than the case of British Imperial finance as it was too often conducted in the days before the War.

It may seem strange enough, in the light of present-day knowledge, that the Empire should have been thus indifferent to the destiny of its wealth. But what is to be said for a system which went beyond indifference and imposed a heavy disability on the investment of British capital in the Dominions? Had the Government desired to encourage nothing but foreign capital in the Empire and to drive British capital outside the Empire for the benefit of competing countries, it could have chosen few devices more simple and effective than Double Income Tax.

Any one in Great Britain who invests money in a company operating within the Empire must pay income tax on his dividend both in Great Britain and in the country where the company's undertaking is situated. The practical effect of this is that it pays a man better to invest his money in Paraguay than in New Zealand. While income tax remained at a very low figure the handicap was not very severe, although the unjust nature of the principle was not thereby affected. The tendency of income tax to increase, however, brought the matter into the arena of active agitation; and in 1907 the Association of Protest against the Duplication of Income Tax within the Empire was formed. Representations were made against the principle at the Colonial Conference of 1907, and again at the Imperial Conference of 1911, but without result. It is interesting to note that on the latter occasion the Treasury stated in a letter to the Conference that there was nothing inequitable in the requirement that a person who resides in one country and earns his income in another should be made amenable to both.

Nevertheless, even His Majesty's Treasury saw the truth a little more clearly

after the War. The great increase in income tax rates enlarged a serious burden into a crushing one; and in the Finance Act of 1916 relief was given in respect of income subject to Colonial income tax and at the same time to a higher rate than 3s. 6d. in the United Kingdom. (A similar principle was adopted in the Business Profits War Tax law in Canada and in New Zealand legislation.) This belated concession was accompanied by a promise that the grievance would be redeemed after the War, when the whole question of Imperial taxation would come up for review. It would have been an easy matter for the Government to remove the injustice completely by a stroke of the pen, but the Treasury was reluctant to forgo the revenue received from the doubling of the tax or to make so signal an admission of its error.

Now that reform in this matter is well assured, there is no need to discuss the Double Income Tax system from the standpoints of justice and equity. A word may, however, be said on a feature which would condemn the system, even were the view of His Majesty's Treasury on the question of equity to prevail. Many

companies were formed in Great Britain to carry out public utilities and various other enterprises in the Dominions and Colonies. The capital to establish these undertakings was generally found in Great Britain; and after they had proved profitable they formed attractive investments for local capitalists. This form of co-operation had proved itself an aid to Imperial prosperity, and it had provided a natural market for British plant, as the managements of the companies in Great Britain were in immediate touch with British manufacturers. As time went on, however, and the burden of Double Income Tax grew heavier, there was an irresistible tendency among the overseas shareholders to secure the transfer of the headquarters in order to avoid liability to British Income Tax. The movement had already begun when it was arrested by the concession in the Finance Act of 1916, and by the promise of complete reform after the War. Had the original policy of His Majesty's Government prevailed, the system under which so much British capital and enterprise had flowed throughout the Empire would have been destroyed.

The vigour and the unanimity with

which the Dominions have pressed for the repeal of the Double Income Tax are an indication that British opinion overseas is definitely in favour of a pro-Imperial policy in finance. Opinion among business men and politicians at home is setting in the same direction.

It is becoming more and more widely recognised that the political and economic unity of the Empire implies some organisation of its finances for inter-Imperial purposes. Thus the Dominions Royal Commission, in proposing an Imperial Development Board to survey the resources and opportunities of the Empire, to co-ordinate Empire effort for their development, to extend Imperial trade, and to strengthen Imperial lines of communication, suggests that one of the Board's specific duties should be "to consider and devise means for the direction of Empire capital towards the development of Empire resources."

Before any step can be taken in this direction it is important to improve the financial facilities available to British traders. The channels by which British manufacture and export trade are irrigated must be widened and deepened. Long before the War it was recognised that

German producers and merchants received more aid from their industrial banks than British competitors did either from Joint-Stock Banks or from the finance houses which operated more on the lines of industrial banks. Apologists for the British banking system have often declared that it covered the whole range of safe business, but against that apology we may put the consensus of outside opinion and the measured statement of Sir Richard Vassar-Smith in his Presidential Address to the Institute of Bankers in 1917 :—

> The question of financing our industries will be immensely facilitated by organisation. An unstable, unorganised industry is the despair of bankers. I feel some confidence in stating that an industry organised on large lines has seldom lacked the necessary financial support in this country, and, in spite of the financial stringency which we shall doubtless have to face, is not likely to suffer in the future. Still further financial assistance may be required. Overseas trade demands generally long credits, and advances are needed for longer terms than are usually given by deposit bankers. There is, too, the investigation and, if approved, development of new ideas, often requiring money besides patience and experiment. This should be worth attention, for we have found to our great cost how much we have lost by not doing this.

Among the steps which have been taken to meet this demand may be mentioned the British-Italian Corporation and the British Trade Corporation. The former is an alliance of British and Italian interests to relieve Italy of her financial dependence upon Germany in connection with many vital industries and enterprises. The British Trade Corporation is a body formed by Charter with the object of "assisting the development of British Trade and of procuring for British manufacturers orders in connection with new overseas undertakings and the financing of contracts in connection therewith." While precautions are taken to ensure that the Corporation shall be thoroughly British, nothing in the Charter gives the Corporation any bias towards Imperial enterprise.

Another movement in the same direction is represented by the Committee on Financial Facilities formed towards the end of 1917 by the Ministry of Reconstruction. The purpose of this Committee was to foresee difficulties of finance which are likely to beset the commerce and industry of Great Britain after the War, and to devise safeguards against them. The question of enabling British factories to

be reorganised on a peace footing, and to secure working capital and longer credits to enable them to open up new business at home and overseas, was kept prominently in view. There was, however, no specific regard for the organisation of finance on an Imperial basis. That was as much outside the scope of the Committee as of the British Trade Corporation.

The only definite scheme yet put forward to provide means " for the direction of Empire capital towards the development of Empire resources " is that formulated by the British Empire Producers' Organisation under the title of the " Imperial Bank of Industry." The objects of this Bank are set out as follow :—

To strengthen and to extend producing and manufacturing industries already established in the Empire.

To assist in the foundation and development of new industries therein.

To assist by credit facilities in the sale of their products.

To assist them in procuring materials, machinery, and facilities from other parts of the Empire.

To assist in the acquisition within the Empire, by its citizens, of control and utilisation of its own products.

It is vital to note the limitation, in each of these clauses, to the Imperial field. The essence of the scheme is, indeed, the co-operation of all parts of the Empire in guaranteeing the capital of the Bank. As a suggestion of how each country or group of countries within the Empire might share in providing the guarantee of £50,000,000, the following table has been drawn up by the Organisation :—

The United Kingdom	£25,000,000
The Dominion of Canada	6,000,000
The Commonwealth of Australia	6,000,000
The Dominion of New Zealand	2,000,000
The Union of South Africa	2,000,000
Newfoundland	1,000,000
Straits Settlements and Malaya, Ceylon, British Guiana, Mauritius, West Indies, Rhodesia, Falkland Islands, Fiji and other British Possessions	8,000,000
Total	£50,000,000

This State guarantee will be available as security for debentures and deposits which will provide the capital for the Bank. Apart from a small bonus to debenture holders and depositors, all sur-

plus profits will be funded to provide more capital. The Bank will make advances, accept drafts, deal in bills of exchange, issue letters of credit, discount trade bills, assist in underwriting, and otherwise carry on banking and financial business *always for the benefit of Imperial interests.* The Commonwealth Bank of Australia provides, on a restricted scale, the model upon which the Imperial Bank of Industry has been outlined, though with various modifications. The management is proposed to be in the hands of a Board of Trustees (State-appointed) for the United Kingdom, and for each Dominion or Crown Colony included among the guarantors.

The attitude of the existing banks towards the Imperial Bank of Industry is likely to be similar to that adopted in the case of the British Trade Corporation. It is to be hoped that the broader view of national and Imperial good will prevail equally strongly in both cases. Like the Corporation, the Imperial Bank of Industry is intended to tackle development business which the ordinary institutions consider to be beyond their legitimate scope. Its main object is to stimulate production within the Empire; and if it succeeds in

doing so, it will increase wealth and the movement of money to such an extent that the Joint-Stock Banks will enjoy material gains. It will also react in their favour by bringing State credit into action during periods of financial stringency or threatened panic, such as are likely to occur after the War.

Whether this scheme for an Imperial Bank of Industry be accepted or not, we shall never realise the full potentialities of Imperial preference and Imperial unity unless some machinery is created to give the industries of the Empire the fullest and freest support from organised Imperial finance. Merely to stop up the channels of German financial penetration is not enough; we must fill them systematically with British capital. We must meet organisation with organisation.

The first impulse in a case of this kind is to imitate the organisation of the enemy; and from many quarters there has come a demand for the formation of industrial banks on the German model, with the State and the diplomat and all the other elements included. Our conditions, however, are radically different from those of Germany; and in any case there

is grave doubt whether the German system of intensive finance was not leading the nation to bankruptcy. Our policy should certainly be to evolve a financial development scheme of our own on sound lines adapted to our Imperial needs.

In this task we may find a stimulating example in our most gallant of Allies. Living under the immediate menace of Germany, France long ago understood the importance of conserving her financial resources. The principle that national finance should never be divorced from national policy has always been recognised in Paris. French investors of all ranks have been consistently encouraged to put their long stockings at the disposal of the State; and at the same time the State has intervened to discourage the investment of French money in channels likely to be inimical to French interests. Loans to foreign countries negotiated in Paris have always been more or less subject to the supervision of the Foreign Office. In the spring of 1914 a Turkish statesman went to Paris with the object of raising a loan for the development of the resources of Asia Minor. He eventually succeeded in floating a loan for about £4,000,000, but only under

safeguards that the money should not be spent on armaments, and that French industries would benefit in connection with the public work involved in the scheme. As this loan was to be paid in three instalments, it is highly probable that there was genuine opposition in high Turkish quarters to the headstrong action of the Young Turks who, acting as the tools of Germany, plunged their country into the maelstrom of war.

CHAPTER VII

THE ORGANISATION OF SHIPPING

SHIPPING is the sinews of Empire. The truth of this aphorism was fairly well understood before the War. A few months of war conditions sufficed to make it axiomatic.

At one time, perhaps, the Germans understood the vital importance of shipping better than we did. The most active, insidious, and cunningly organised part of their commercial campaign was directed against the independence of British shipping. How far they had succeeded may be realised from a single fact. Before the War certain British steamship companies had made a practice of charging a lower rate from Hamburg and other German ports than from London on the same classes of goods. The net effect of this practice, in the words of the Dominions

Royal Commission, "has been, and must be, to facilitate the competition of German manufactures with British in New Zealand, unduly to handicap British manufacturers, and to destroy, at least to the extent of the difference in freights, the advantage intended by New Zealand to be given, by means of preference, to the British manufacturer."

We may rest assured that it was not of their own free will that British companies adopted this humiliating anti-Imperial policy. They were forced into it by the tactics of the German shipping companies, backed by a State which was ready with subsidies and any other weapon capable of undercutting British freights. The agreements arranged between British and German shipping companies were made under duress by interests which, single-handed and without Government support, were almost helpless against an aggressive organisation with the whole weight of a willing Government at its back. Whenever a German shipping line could show its Government that, backed by subsidies, it could take business away from a British rival, financial help was never refused.

The British public was but dimly aware

of the true situation. It was purblind to this menace as to other phases of German penetration, and one can quite understand that the shipping companies, having little to boast about in their compact with the Germans, did not trouble to open the public eye. Indeed we find the Chamber of Shipping of the United Kingdom and the Liverpool Steam Ship Owners' Association claiming, in July 1917, that "the increase in our shipping, and the hold it maintained on the ocean carrying of the world (between 1904 and 1913), must be regarded as satisfactory." Taking the tonnage figures as they stood for the period under review, this complacent optimism was not without justification. British shipping was certainly strong and progressive. Nevertheless there were corroding influences at work; and to understand their true nature and tendency it is helpful to consider the history of the most conspicuous creation in German shipping—the Hamburg-American Line.

Herr Ballin, the President of this line, began shipping business as he continued it—by destructive undercutting. His first conspicuous venture was the opposition he organised, with the aid of two steam-

ships, against the emigrant and cargo trade of the Hansa Line. His attack was so successful that the Hansa Line suggested an amalgamation, to which Ballin agreed on condition that he became a director of the new company—the Hamburg-American Line. In 1870 this enterprise began with four or five ships; in 1914 the Hamburg-American Company had sixty-seven lines of shipping operating all over the world, mainly in competition with British steamship lines. "This vast increase," says Mr. Wilfrid Powell, "has been accomplished in nearly every case by instituting a freight war, which forced the separate German lines to capitulate and either sell out to the Hamburg-American Line completely or become amalgamated with that strong Government-subsidised company."

The policy of might which thus consolidated German shipping interests was applied, with the usual unscrupulous cunning, to the weakening of foreign rivals. Mr. Powell mentions the characteristic case of an American line which ran slow boats at low freights from America to Hamburg and Holland. Ballin's agreement with the "North American Pool" prevented direct competition, as freights

could not be altered without the consent of all the members; so he arranged with agents in Hamburg to start a new line in their own name but with his own money. The freights quoted by this new line were always lower than those of the American line, but when the agents' boats sailed from Hamburg they carried a half-cargo of goods which were supposed to be left by the Hamburg-American Line for want of space. The half-cargo being charged at a high rate, Ballin was able to carry on without difficulty until the American company was driven out of business.

Against trickery of this kind, when conducted by individual traders with their own resources and for their own purposes, it is possible to take useful action. But when the trader is in effect a nation, when he can draw to almost any extent upon an economic War Chest, how can any individual rival, or group of rivals, deal with his persistent and unscrupulous attacks? It is well known that Germany intends to resume the shipping war as soon as the seas are open to her. Plans are already drawn up for the subsidised construction of ships which are destined to carry German manufactured exports to all parts of the

world and to bring back raw materials. Captain Persius, writing in the *Berliner Tageblatt* on the passage of the Bill for the Restoration of the Mercantile Marine, assumes that after the War Germany will pay even more attention to the world-market than she did before. With bland indifference to the policy of Germany's enemies, and on the assumption that Free-Trade England will be too "clever" to seek to do without Germany, he paints the following picture of Germany striding the seven seas :—

At the conclusion of peace there will be an extremely strong demand in all spheres of production. Trade and shipping can probably look forward to a period of great prosperity. Our warehouses, which have been completely cleared of raw material and so on, will have to be filled up. From over seas we must import especially cotton, wool, jute, copper, rubber, and leather, and also food and fodder.

It is commonly believed among laymen that as regards food and fodder we shall have, in the interests of our exchanges, to be content for years to come with what is inside our frontiers. It is not so. When, for example, we send our ships, fully laden with German products, to North and South America, to India and Australia —and we shall attempt to do this for the im-

provement of our exchanges—these ships cannot possibly come back empty. That would be bad business. So our ships will bring back food-stuffs as well as raw materials for our industries. It may, indeed, even be said that the importation of food and fodder is the main thing, for without that our industry would hardly be in a position to compete successfully with our rivals. Our feeding must first be put upon a healthy basis.

Bearing in mind the destructive intention which is for ever at the back of the German mind in trade, as in politics, the practical problem for the British Empire is to determine whether the shipping menace will be dealt with in the same vigorous way as the menace to the metal industry. In other words, will the British shipping industry be left to its own resources, or will the Imperial Government take steps to foster a strong and progressive organisation of cheap transport between different portions of the Empire and between British lands and the world's markets ?

We might well take the importance of the subject for granted, but there is one important aspect which is frequently overlooked. The Dominions Royal Commission points out that the rates of freight charged on goods to and from the Dominions

are in many cases a more important factor in the question of the development of inter-Imperial trade than tariffs and tariff privileges on the present scale. In pre-war times Australia, New Zealand, and South Africa were paying at least as much in outward freights as in Customs duties; and if the return freights are added, it becomes clear that the total charges for sea transport on the completed exchange were a far heavier tax upon commerce than the total Customs duties paid. The difference will be increased after the War, as freights are almost certain to take a long time to return to the pre-war level. Therefore, in the words of the Commission, "improvement in the cost of sea transport is amongst the most important problems which confront the statesmen of the Empire to-day."

It is a curious fact, however, that the British mercantile marine appears to be definitely opposed to any State action in regard to shipping. In the Report quoted above the Chamber of Shipping of the United Kingdom and the Liverpool Steam Ship Owners' Association wax enthusiastic on the value of non-interference with trade, and declare, in short, that if the Govern-

ment will stimulate British trade by means of a national trade policy, the shippers will ask nothing more. There is a touch of the heroic in this attitude. It shows John Bull in a characteristic pose. But the Report is silent on the subject of German penetration of the shipping business and upon the humiliating surrenders which British steamship lines were obliged to make to German attacks. It is impossible for any British Government, since the War, to ignore the risk of a renewal of these attacks. The shipping interests have taken very unkindly to the control which the Government found necessary during the War; and they are entitled to fear the depressing effect of a continuance of such control after the War, just as they are entitled to point out the handicap imposed on British shipping by official regulations from which competing lines are free. But they are not entitled to assume that there is no choice except between complete non-interference and a form of supervision which practically amounts to the nationalisation of shipping.

Their obsession on this score is so strong that it makes them attribute solely to Government control the losses which

British shipping suffered in competition with foreign shipping. Mr. H. Clemenson, the General Manager of the Chamber of Shipping, wrote in December 1917, in answer to a memorandum on shipping policy drawn up by the Association of Chambers of Commerce, that "my Council is unable to see how Government control, such as you suggest, can in any way ameliorate the position, having regard to the fact that British owners, naturally, only admit foreigners into competition with themselves when they have come to the conclusion that it is impossible to keep them out." This apology really gives away the case of the Chamber of Shipping. The Germans, with the fullest State aid, made it "impossible to keep them out"; the British, without any State aid at all, avow they had no remedy. And the best that they can suggest as a policy for the future is that British shipping, if it be no longer regulated, will get its share of the prosperity of all after-war industries.

The Government, however, cannot afford to leave the development of British shipping dependent on a dogma like that of non-interference. For the economic security of the Empire it must devise a positive

policy, and one which will make it possible for British shippers to keep out the German competition which is aimed at their destruction. Granted that British shipping is weighted with regulations peculiar to Britain, the remedy lies, not in abandoning laws passed to reduce risks at sea, but in imposing similar regulations, or countervailing dues, upon all shipping using British ports and coaling stations. Above all, measures must be taken to protect British shipping from the subsidised competition of Germany. As a preliminary to these measures, we must exact reparation for the ships sunk by Germany in defiance of the laws of nations and of humanity. The Chamber of Shipping, while declaring that "retribution should be direct and immediate," goes on to say that "it should not be allowed permanently to dictate the future commercial policy of the Empire," for the reason that "all international trade is based on benefits to be derived by all the nations concerned; its maintenance is inconsistent with the policy of imposing loss." In a world with Germany left out, this abstract principle might apply well enough. But the Chamber is remarkably

blind to glaring facts in overlooking the simple truth that Germany has always sought to maintain her international trade by imposing loss on other nations. It is her fundamental policy — the policy of ruthless self-interest, of domination, of destruction. Therefore she must be treated as an incorrigible enemy of true international trade, to say nothing of Imperial interests.

There are many arguments against the revival, under present conditions, of the old Navigation Laws under which, broadly speaking, it was unlawful for any goods to be carried to and from British ports except in British hulls. Nevertheless the spirit of those laws may well be applied to the particular case of Germany, which manœuvres so that British goods shall by preference be carried in German hulls. As an accompaniment to a prohibitive tariff throughout the Empire on German goods, the following regulations would be an effective bar against the tide of subsidised German shipping: (1) Enemy shipping should be heavily penalised, to the extent of at least 50 per cent higher dock dues, in every port within the Empire; (2) Germany should pay a heavy tax on all

coal supplied from Imperial sources; and (3) the entry of German subjects into the Empire should be strictly controlled; and for a long period after the War they should be prohibited from settling in any part of the Empire.

The usual objection to such measures is that the Germans would retaliate. It is difficult to see how they could retaliate with any appreciable effect on a united, self-supporting Empire which, with its Allies, controls practically all the main supplies of raw materials. Germany would be much more likely to sue for concessions, which could be used as a lever to force that country—if possible—to observe the elementary principles of fair dealing. In any case the doctrine that we must at all costs seek the good-will of Germany has gone out of fashion since 1914. We have proved that, in economic as in all other matters, we can do very well with no Germany at all. And it has become manifest that the one thing which Germany respects is strength.

While the organisation of British shipping on a basis of frequent services and low freights is vital to the development of a self-supporting Empire, it represents only

one phase of the Imperial transport problem. Oversea communications for a far-flung Empire are analogous to the railway system in a self-contained Empire; and there is much more in a railway system than the provision of trains at cheap rates. The efficiency of the service depends largely upon the terminal facilities for handling the traffic carried on the lines; and the value of these facilities must rest upon the extent to which they are co-ordinated. At present the communications of the Empire are in much the same condition as a tangle of railway lines, with differences of gauge and with every variety of equipment (or lack of equipment) for collecting, storing, and despatching goods at the termini. There has been no attempt at standardisation in the dimensions of harbours and docks, or in the mechanical equipment at ports for handling cargo. Each harbour authority throughout the Empire seems to have gone on lines of its own, with little reference to what had been done or might be done in other cases; and each shipping company, in order to make up for the variety and the deficiency of cranes and conveyers at many ports, has been obliged to equip its vessels at a heavy cost with

tackle which is idle except in the periods of loading and unloading.

The shipping companies which protest against all kinds of State interference may be invited to consider whether this chaotic condition of affairs should be allowed to continue, and whether there is any remedy save in the development of a coherent scheme under Imperial control. Individualism and *laissez-faire* have, in this as in so many other directions, led to a waste of time, money, and energy. They have delayed the equipment of our ports with mechanical appliances, so that shippers have been obliged to rely upon hordes of casual dock labour—a most inefficient, unreliable, and demoralising type. They have set a limit on the dimensions and draught of ships, and therefore upon their economy in transport, through the inadequate accommodation at the majority of ports. They have led to all sorts of makeshift compromises between the equipment of vessels and the installations in docks and harbours. They have done a great deal—perhaps as much as the regulations against which the shipping companies protest so vehemently—to increase the cost of oversea transport.

Nothing could better illustrate the haphazard way in which the Imperial transport system has grown up than the fact that the Dominions Royal Commission had to make a complete survey on its own account of the harbour facilities within the Empire. That information, so essential for any proposals "to correlate and develop the existing and future capacity of harbours and waterways on the great trade routes of the Empire, and to suggest a general scheme for improving the ports on those routes," had never before been collected. The Board of Trade, although the chief harbour authority for the United Kingdom, had treated such an enquiry as beyond its scope; the Admiralty no doubt possessed a good deal of information, but had not applied it to mercantile conditions. A schedule of questions had to be sent out to every harbour authority in order to obtain the most elementary data on a uniform basis.

One result of this survey was to prove that the Dominions had handled the problem on a broader basis than the Mother Country. For the most part the harbour authorities of the United Kingdom "represent, almost exclusively, local interests;

they are more concerned, therefore, when they come to plan out a scheme of improvement, with securing somewhat better accommodation for present-day ships than their neighbour along the coast or other competing port, than with providing for the ships of the future." In the Dominions the control of harbours is rarely left to local authorities. In Canada the Dominion Government is undertaking the new construction work at Halifax, St. John, and Victoria, while it controls the harbours at Quebec, Montreal, and Vancouver. In Australia practically all the leading harbours are controlled, directly or indirectly, by the State Governments. The Act of Union handed over the control of all the ports in South Africa to the Central Government. In New Zealand the chief harbours are administered by Boards which include a representative appointed by the Governor in Council.

The next step is a simple one. It is to bring the harbours of Great Britain under Government control and to establish machinery for correlating that control with the Dominion Governments. The Commission suggests that all schemes of improvement for the main Imperial trade

routes shall be submitted to the Imperial Development Board so that it may advise, "in the light of the best expert opinion available, whether these schemes provide for the future reception of vessels of the length and draught required for the cheap and speedy transport of the Empire's merchandise." This particular solution may not commend itself universally, but the underlying principle of co-ordination is thoroughly sound. It is probable that something more positive than a merely judicial body would be found necessary—a central authority capable of initiating schemes on a prearranged plan for the whole Empire. If, as the Commission asserts, the scientific development of the harbours of the Empire is "the underlying factor in the whole problem of its oversea communications," more will be needed than the mere adjustment of isolated endeavours.

It may even be necessary to look further than ships and harbours. The real problem is to transmit raw materials and manufactured goods between thousands of centres within the Dominions and the United Kingdom. Railways and canals are therefore of importance to a complete solution. In Great Britain the develop-

ment of these forms of transport has been left to private enterprise under a more or less erratic control by Parliament; but in the Colonies a large proportion of the railways are State-owned, and the Governments recognise the importance of extending and operating them so as to assist in the progress of industry. The War, under which all the railways of Great Britain have been worked by a Committee of Management acting directly on behalf of the State, has raised anew the question of nationalisation. Among the objections offered to this policy the chief is that the State cannot manage enterprises of this kind so cheaply and so well as private companies. Against this objection is the fact that the State-owned railways in the Colonies and in Europe appear to work satisfactorily. The vital element of success in all State administration of public utilities is that the undertakings should be treated as a national asset, and operated independently of party politics and solely in the public interest, as is done with the postal and telegraph services. If this principle can be recognised and acted upon in Great Britain, the development of railways and waterways could be conducted in a manner which

would greatly stimulate the prosperity of agriculture and industry, while involving no burden on the tax-payer, and even providing a permanent source of national revenue. The only alternative to nationalisation is the continuation of the present system of State supervision, so that the railways, while remaining under private ownership, will be operated from the national standpoint and not from that of the special interests of each company. The pooling of rolling stock and other equipment under war conditions has shown how much saving can result from the unification of resources. It is only fair to British railways to admit that in many directions they had reduced the waste of competition and approached the level of co-ordination on a broad scale. Moreover, they have rendered admirable service to the State in meeting the unprecedented demands of war transport. But few will regard these achievements as more than an indication of the results to be expected when complete unity is secured.

The function of efficient transport is to reduce the handicap of distance. In this work the telegraph is an invaluable ally. Great as its services have been in linking

the remote regions of the Empire and in facilitating industries and the transmission of news, they ought to be vastly exceeded in the not distant future when more cables are provided and the potentialities of wireless telegraphy and wireless telephony are realised. Here again private enterprise has made progress of which British engineering and organisation may well be proud, but the laying of the Pacific Cable is a sign that the Imperial Government recognises the necessity for treating the question of telegraphic communication on a wider basis, with less consideration for the prospect of financial return than for the value of cheap and easy exchange of messages in drawing the Empire closer together for strategical, commercial, and social purposes. The construction of an Imperial chain of wireless stations, interrupted by the War, was another recognition of the same necessity. As soon as opportunity offers, a broad constructive policy should be drawn up and pursued.

CHAPTER VIII

MINOR ASPECTS OF RECONSTRUCTION

THE previous chapters having dealt with the broader aspects of reconstruction involved in the building up of a self-supporting Empire, we may now touch upon some of the minor elements in the structure.

It is a familiar saying that the Franco-Prussian War was won by the schoolmasters of Germany. It may, with equal truth, be held that the efficiency and thoroughness which Germany has shown, both in her preparations for the greater war and in the prosecution of it, are an outcome of her highly organised system of education. Without suggesting that we should imitate that system—which has had certain products nobody but a German could admire—we may derive from the German emphasis on education a useful incentive to pay more attention to the

training of the men and women who will have to carry out in their daily life the duties which an Imperial destiny imposes.

Taking the industrial aspect of reconstruction first, it becomes clear that every scheme for improving the efficiency of production and raising the status of the worker depends largely upon technical education. When Germany set out to become a leading industrial nation, she developed a system of technical education designed to provide large numbers of men trained in the technique of production and of trade. There was—as is characteristic of Germany—a strict correlation between means and end. Organised from a centre, the German system of education was a standardised machine which transformed the heterogeneous raw material into a uniform disciplined mass. Within its limits the system was remarkably efficient; and the only British achievement comparable to it is the intensive training in the technique of war to which the young men have lately been subjected. Nothing has been more striking than the rapidity with which these recruits have mastered the details of specific branches of science and engineering. But such *ad*

hoc specialisation is not education ; and it is far from being applicable to the nation as a whole in normal times. The ostensible object of our present educational system —and, we hope, the actual and attained object of the system in future—is to develop to the full the intelligence of each individual according to his personal capabilities. And so far as technical or vocational education is concerned, the lines on which it is intended to advance are that a broad general education shall be the basis for subsequent specialisation in science or technics.

Two recent events serve to show that the public conscience has awakened to the need for improvement both in general and in technical education. The first is the introduction of the Education Bill drawn up by Mr. H. A. L. Fisher, Minister of Education, and the second is the formation of a central organisation for the co-ordina- and improvement of technical education.

The main purpose of the Education Bill is to raise the age-limit of compulsory education to fourteen, and to extend a system of part-time school education until the age of eighteen. By this means a higher standard of general education will

be attained, while the part-time training will be correlated with the work which the pupils are doing in local industries, agricultural and otherwise. There can be little question that these reforms are on the right lines. Like the raising of the level of wages in the teaching profession—a long-deferred act of justice and common sense started under Mr. Fisher's regime—they involve a certain economic sacrifice. The longer children are kept at school the longer must parents wait for their contributions to the family exchequer. But if the extended period is properly utilised by competent teachers, it will prove an investment of cumulative value.

The central organisation formed in connection with technical education is a voluntary effort which has received the cordial support of the Board of Education. It is composed of representatives of the leading engineering, scientific, and educational institutions in Great Britain. One of its immediate objects is to make a complete survey of the existing facilities for technical education so that it may act as an information bureau for parents and schoolmasters. The necessity for this survey is characteristic of British methods in the past. Each

town, each university, each technical school has handled the problem of technical education in its own way, and each factory had adopted its own system of training apprentices or pupils.

To a large extent this diversity of method is justified by the variety of industrial and other conditions, but there is an admitted necessity for correlating the work of colleges in the same district and for a more systematic development all round. The central organisation will seek to co-ordinate all the institutions providing technical education, not only with each other but with the industries which will absorb their students. It will also seek to enlarge the arrangements made for the training of artisans. Although a good deal of criticism has been passed on British technical education, it may be asserted that it provides an excellent training for those who can afford the time and money that a three or four years' course in the higher technical colleges involves. The weakness lies in the meagre and haphazard instruction which is generally given to the apprentices and other lads in workshops. To overcome this weakness the central organisation proposes

to revive, in a form suited to modern conditions, the old system of apprenticeship, so that every boy who aims at becoming a skilled worker will be really skilled in the technique of his trade.

The importance of such an all-round rise in the level of workshop instruction can hardly be emphasised in a nation which depends so much upon the efficiency of production. It is of even greater importance than the construction of educational ladders, in the form of scholarships, by which the more brilliant scholars and artisans may rise to positions of responsibility. The Government is making large grants for this purpose, and will probably spend still more money in future, so as to make higher education more democratic.

These reforms in education are being organised with a national end in view; and for that purpose they are admirable. But the Imperial point of view should not be left out of account. We have already (in Chapter I.) touched on the importance of making a knowledge of the Empire a cardinal feature of British education. In order to give life to that knowledge it is necessary that the teachers should convey

it with sympathy and understanding. Mere book acquaintance is apt to be uninspiring. Therefore a serious effort ought to be made to carry out the often-discussed scheme for the exchange of school teachers between the Mother Country and the Dominions. The difficulties are mainly those of finance and of organising the exchanges so that teachers are suitably placed; there are other difficulties about varying standards of qualification, but they are secondary. All of the difficulties could be readily surmounted if the educational authorities concerned were willing to co-operate and if the Governments were prepared to bear the not serious cost of travelling. The system of interchange is applicable to secondary and technical as well as to elementary schools; and in the case of the first two classes it might be extended to selected pupils, so that those in the Dominions would receive the stimulus afforded by contact with the larger centres of learning in Great Britain, while those in the Mother Country who look forward to an Imperial career would pass some part of their formative years overseas.

A year or two ago it would have been necessary to deal at some length with the

weakness of another of the necessary bonds of a self-supporting Empire—that of trade representation and intelligence. It is true that the German system for furthering trade interests in the Dominions, as well as in foreign countries, was much more highly organised than the British. What it will be after the War remains to be seen, but it will certainly require to be still more highly organised in order to overcome the intense prejudice which German methods in general have inspired throughout the Dominions and in many other lands. However that may be, it is reassuring to know that the British system will be much improved. Formerly the work of looking after British trade interests overseas was divided between the Board of Trade, with its Department of Commercial Intelligence, and the Foreign Office, with its Foreign Trade Department and the Consular Service, including commercial attachés. In future all these sectional bodies will be co-ordinated under a Department of Overseas Trade, with an Under-Secretary responsible on the one hand to the Board of Trade, and on the other to the Foreign Office. Questions which are predominantly commercial will be referred to the Board

of Trade, while the Foreign Office will decide all matters of diplomacy.

The arrangement is rather a makeshift, and is hardly to be preferred to the Ministry of Industry and Commerce for which manufacturers and traders have persistently pressed. Nevertheless it is a distinct advance, and it will bring an incalculable gain if it abolishes for ever the old system under which British interests abroad were represented by foreigners or by men utterly unfitted by education or experience for the work they were supposed to do. There is promise, also, that the collection and distribution of information of value to British producers and merchants will be much better organised. The new Department feels that it is on its trial; and it starts operations without that self-satisfaction which prevented its predecessors from realising their glaring deficiencies. Had it not been for the War, even the partial reorganisation which has been carried out could never have been possible in face of the inertia and indifference of Departments which preferred their own peace of mind to the labour of reform.

Another effect of the War has been to stimulate criticism of the existing system,

or tangle of systems, of coinage and weights and measures. Alone in the Empire, Great Britain has retained a strong body of opinion against any change; all the nations with which it does business have adopted either a decimal system of coinage or the metric system of weights and measures, or both. It is difficult to believe that this isolation can be maintained. The Dominions have reiterated their demand for a change which will bring the Empire into line with countries which have enjoyed a simpler system of calculation, and it is noteworthy that public interest has recently been much keener on the subject than ever before in the long history of the controversy. The chief advocates of the decimal system have reached agreement regarding the proposed new coinage, with the pound sterling as the unit, with the main silver coinage unchanged, and with lesser coins of ten, five, four, three, two, and one mil or thousandth part of a pound. The Ministry of Munitions adopted the metric system in many of its standards; and apart from that an increasing number of British manufacturers have proved that the metric system can be used in their works with excellent results. Many factors

are tending to confirm the opinion expressed by the Dominions Royal Commission that "the termination of the War will bring with it an unequalled opportunity for securing this much-needed reform." Accordingly the Commission recommends "that Your Majesty's Government and the Governments of the Overseas Dominions should then co-operate to establish throughout the Empire a uniform coinage based on the decimal system, and uniform weights and measures based on the metric system."

CHAPTER IX

SOUTH AFRICA : POLITICS AND POPULATION

EACH Dominion and each Colony has its own place in the structure of a self-supporting Empire—its own contribution in material and human wealth, its own problems of industry and statesmanship. The one feature common to all of them is the magnitude of their undeveloped resources ; and in no case is the margin of potentiality greater than in South Africa.

Already vast stores of mineral wealth have been discovered and await exploitation ; elsewhere there are probably deposits of still greater value lying fallow for the prospector. For agricultural and stock-raising purposes no limit can be placed on the possibilities of progress. The soil of South Africa will grow practically anything, as it is magnificent in quality and the climate ranges from temperate to

tropical. Vast grazing areas are ready to be opened up, so that South Africa may become one of the largest exporters of mutton, beef, and pork. Native labour is plentiful and of good quality for all unskilled work; and the country as a whole is suitable for settlement by white men.

Why, then, has the growth of South Africa been so slow in comparison with that of other parts of the Empire, such as Canada, New Zealand, and Australia? Many reasons can be adduced, but the chief among them has been the political and racial dissension between the two white races, Dutch and British.

When the Union of South Africa was formed, it was hoped that the bitter feeling existing between large sections of the Dutch and British populations would die away. This hope was not realised. The first Parliamentary Election in the Union was fought on racial lines, and therefore gave the Dutch, who are numerically superior, a majority. There was some expectation that a Coalition Ministry might be formed from the best men in both parties, but it was not realised. The first Government was formed by the South African party, most of whom were Dutch,

with General Botha as leader. No better man could have been chosen for this critical position, as he enjoyed the confidence of both parties and showed himself a statesman of remarkable tact and judgment. His handling of the Rebellion during the Great War was a crowning proof of his capacity and his loyalty to the Union. Indeed, it may be said that the part which he and General Smuts played during that period of disturbance, and again in conquering German West Africa, saved the Union from a serious risk of dismemberment, if not of passing under German domination.

In the first Parliament of the Union General Botha did his utmost to keep the peace. His worst foes were those of his own household, in the shape of a comparatively small section of "Nationalists," principally from the Orange Free State. This party included some of the most irreconcilable Boers, who made it impossible for the moderate Dutch and British sections to work with them, and eventually brought about the disruption of the Ministry, as a result of a serious disagreement between General Hertzog and Mr. (now Sir George) Leuchars. The Dutch party

was split, with General Botha and his party as political opponents of the Nationalists. At the next election the Nationalists fought every seat they possibly could, but failed in the great majority of cases. Most of the Orange Free State constituencies returned Nationalists, but the other Dutch constituencies returned a crushing majority of South African candidates in support of General Botha.

The special legislation introduced since the War—such as the Enemy Trading Bill—gave the Nationalists many opportunities of obstruction, which they used to the full. Every effort was made, and is still being made, to embarrass General Botha on every possible occasion; and in this unpatriotic enterprise General Hertzog has many violent coadjutors, among whom are prominent men of German birth. Were it not for the fact that the Unionist party, which includes a large section of the British population, agreed to support General Botha till the end of the War, it is probable that he would have been forced to resign and to throw the country into the dangerous and distracting turmoil of another election.

A new factor is making its appearance

in South African politics—that of Labour. There is every prospect that a strong Labour party will be returned at the next election, so that there will be four distinct and more or less antagonistic elements—the South African party, the Nationalist party, the Unionist party, and the Labour party.

With these manifold disabilities it is not difficult to understand why the development of South Africa has been greatly retarded. Constructive legislation for the benefit of the country has been obstructed by contentions about such matters as whether the Union troops shall be dressed in khaki and thus identified with the Empire. On questions of this kind the Nationalists deliberately waste weeks in barren wrangling. They are doing their best to keep alive the racial feeling between the Dutch and the British; and so long as they succeed so long will the progress of South Africa be delayed. It is earnestly to be hoped that one effect of the War will be to wipe out the remaining divisions between the races and to unite all political parties in work for the upbuilding of the population and industries of South Africa. If this hope is doomed to disappointment,

it is difficult to see how any but the most disheartenningly slow progress can be achieved.

Unity is particularly needed to deal with a population question which is an increasing menace to the social stability of South Africa. Thanks to political dissension, the provision of education has been badly neglected, with the result that a large section of the people is apt to degenerate to a low level. Locally these men are classed as " poor whites." Their tendency is largely to mix with the black population, producing a mixed or coloured population which is increasing rapidly. Some years ago, when the coloured people were not so numerous, they were usefully employed as waggon-drivers and stablemen or in other semi-skilled work. Now, with their larger numbers and better training, they are competing more and more in skilled trades. Often they make good workmen ; and as they are willing to work at lower rates of pay than Europeans, they are a formidable factor in lowering the standard of labour.

This state of affairs is the source of great ill-feeling. The Trade Unions have attempted to regulate it by preventing the employment of coloured labour, particu-

larly in the mines, but their success has been only partial. In many parts of the Union coloured labour is freely employed; it is, for example, fast monopolising such work as the driving of taxi-cabs and other motors in Capetown.

The difficulty presented by the coloured population is that it is neither white nor black. Coloured men are regarded as inferior by the white section of the people and to some extent also by the black section, which applies to them the opprobrious term of Bastel (Bastard). They themselves are inclined to be very sensitive and to claim social rights which are not conceded to them by the whites. The confusion is increased by the fact that, with the inevitable mixture of coloured and white, the grades of colour are becoming so varied that it is almost impossible to draw any definite line of demarcation between white and coloured. There are many people with a decided tinge of colour who yet occupy high positions in many departments of life. In spite of the disabilities under which they labour, the coloured people form an extremely useful section of the population. They are hard-working, intelligent, and exceptionally

adaptable. The men do well in the occupations already mentioned; and the women, besides making good wives and mothers, are very efficient in sweet-making, match-making, and other semi-skilled work. It is, in fact, owing to their good qualities that they form a growing section of the race. During an inquiry made by the Cape Government a few years ago, numbers of young Englishmen who had married coloured girls stated, as the reason for their choice, that coloured wives looked well after house and children and did not want to be always going off to picture-shows and other amusements.

Obviously the whole question bristles with difficulties, which are increasing as time goes on. The gradations of colour make it almost impossible to legislate for this section of the community or even to suggest the social position which it should occupy between the extremes of black and white. Sentiments of a very strong and deep-rooted character govern the social aspects of the problem, which will demand the highest statesmanship and the greatest delicacy in arranging such matters as educational facilities and labour conditions, if it is not to prove a permanent source of discord.

Somewhat simpler, though in magnitude more formidable, is the problem of the native population. In South Africa the blacks outnumber the whites by at least ten to one and are increasing at a more rapid rate. Therefore any scheme for the advancement of South Africa must take the black population into account at the very outset.

Properly considered, the blacks are an enormous asset. Properly treated, they may be made one of the most potent forces in the development of the country. But everything depends upon utilising them not only in a manner beneficial to themselves but so as to prevent them becoming serious competitors with the white race. Any legislation dealing with this matter must provide adequate safeguards against such a contingency.

The average South African black is a strong and sound specimen of humanity, and his habits are conducive to the maintenance of a fine race. Although the native codes of morals are violently opposed to those of civilisation, they are well suited to the conditions of native life. Moreover, in territories free from contamination by European examples of the worst type they

are rigorously enforced. Native customs are, however, tending to alter with the change of environment brought about by British occupation. For example, the Bantu race is polygamous by tradition, but the cases in which one man has many wives are becoming fewer, while many of the young men of the present generation are content with one wife. Before the days of British rule the native tribes were continually at war, and a considerable proportion of the men were killed off each year. Polygamy was a natural result of the excess of women, especially as it was considered a disgrace for a woman to be unmarried and childless. With the change to enforced peace the proportions of males and females have become normal, and polygamy is no longer necessary or even possible as a general custom.

Another important effect has followed the same cause. In former years the men were trained as soldiers and the women tilled the soil and engaged in other productive occupations. Now that the military occupation of the men has gone, their choice lies between idleness and a new form of labour. The difficulty of organising this labour to the best advantage of the

native is rendered more and more acute by the rapid increase in population; and this increase, in turn, complicates a problem which lies at the root of South African economic progress—that of land settlement. Neither the settlement of political strife nor the full exploitation of mineral wealth will suffice to give the prosperity of South Africa a stable foundation if means are not found for placing both the black and the white races on the land under the most suitable conditions. It is therefore important to discuss the evolution of the native land system and the steps which have been taken to attract white settlers to the vast tracts which await the enterprise of the farmer and the stock-breeder.

CHAPTER X

THE LAND PROBLEM IN SOUTH AFRICA

UNDER the traditional native system in South Africa all land was held in common. Each district was under the control of a chief, and herds of stock belonging to different owners in a district grazed over the same ground in the exercise of a recognised common right. Cultivation was also carried on in a primitive fashion, each woman taking a convenient patch of ground and growing what she could on it.

So long as the land was sparsely populated this easy-going and inefficient system gave rise to no difficulties. But many large areas are now, with the rise in population, tending to become congested; and the process will go on to an acute stage unless the native becomes educated to the necessity of making a better use of his land.

Many laws have been passed, often in

a haphazard way, to establish a new native land system. Nevertheless the only serious effort to grapple with the question is that made in the native territories of the Transkei. Up to a certain point the results have been encouraging, but it would be unwise to conclude that the same system will be equally successful in other parts. Owing to the wide differences in local conditions, legislation on a uniform model must be avoided. Certain main principles may be applicable in general, but the details of their practical application must be controlled according to the peculiarities of each district. Therefore no radical alteration should be made in any province without the most careful investigation on the spot, and, above all, without full consultation with the natives.

To any one with a knowledge of native character it would seem obvious that the confidence and co-operation of the natives should, if possible, be secured before putting any change into effect. After all, it is the native who has to live under the new conditions, and he is much more likely to produce satisfactory results if he is agreeable to the change than if he feels it thrust upon him against his will. Yet

this elementary consideration appears to have been overlooked by the Commission appointed in connection with the Native Land Act passed some years ago. The Act delineates and sets aside certain land for native occupation, and it has given rise to strong agitation, especially in Natal, where large stretches of country in Northern Zululand have been included in the native area. These districts are quite unsuited for native occupation; they are fever-stricken, and practically no natives do or can live on it under present conditions. Before the areas can be made fit for settlement they must be systematically developed for cultivation on a large scale. The soil is very rich and highly suitable for sugar plantations, which require methods beyond the skill and resources of the natives.

Before setting aside vast new tracts of country—most of it unsuitable—for native occupation, it would be much better to train the natives to appreciate the benefits of closer settlement on the land which they now hold. Conservative in their habits as the natives undoubtedly are, they are not insensible to the force of example; and if the Government were to appoint

properly qualified men to demonstrate to them the possibilities of improved cultivation, they would gradually improve their methods and maintain a larger population per acre.

In spite of statements to the contrary, the existing native reserves are not overcrowded.

Sir William Beaumont, Chairman of the Native Lands Commission, said that "no doubt the reserves are capable of maintaining a much larger population, but native occupation being what it is, the population fast increasing, and future requirements having to be considered, there is little room in them for more than are already there." And he added: "The whole of the Crown lands on the North Coast belt, and north of the Umhlatuzi River, are malarial, and much of it is uninhabitable."

The first statement quoted appears to contradict itself, but it only emphasises the importance of better development of native locations by the natives themselves. The second statement implies a most serious indictment against the recommendations of the Commission for setting aside a still larger tract of malarial land

for native occupation. As the natives cannot live there, and as no one else is allowed to settle upon it, the land is rendered valueless. On the one hand, the Commission recommends that 17,902,692 acres of new land in the Union be set aside for native locations; and on the other hand, it admits that in the present native reserves there are no fewer than 18 acres of land to every man, woman, and child living in them. Clearly, there is a wide margin for closer cultivation before there is any necessity to seek further outlets for the native population.

If, however, the prevailing system is to become standard, it will lead in the course of time, with the continued increase in the black population, to the passing of practically the whole country under native occupation. Inevitably the white population will be crowded out. What is needed, and needed urgently, is a policy which, on the one hand, will raise the standard of cultivation by the natives, and, on the other, will encourage white population to settle on areas suitable to European methods of development. The latter aim is the complement of the former, and it will never be accomplished unless the

conditions are made attractive, ensuring a good living and ample prospect of advance to the settler. While other parts of the Empire are offering all sorts of inducements to emigrants, South Africa cannot afford to neglect the means available for drawing a large section of energetic and adventurous colonisers to her virgin lands.

The first necessity in a country like South Africa is to foster agricultural development; and the prime condition of success in that endeavour is to make the terms of land tenure easy. Unless the individual farmer can secure land on favourable terms, agriculture will never prosper.

Most of the land in the Union—apart from that set aside for the natives—is privately owned, and many of the proprietors are large land companies, which hold an enormous acreage for purely speculative purposes. They cannot be considered as beneficial occupiers, since their policy is to buy at a very low price and to depend for their profits on the rents paid by native and other tenants. The usual procedure is to buy a large tract of land at its prairie value, say five shillings per acre. To encourage settlement in the neighbourhood of railways the company offers portions of

land to small farmers at a comparatively low rate—say ten shillings per acre. These early settlers prove the value of the land for wheat-growing and other purposes; and when the next prospective tenants come on the scene, they are charged anything up to sixty shillings and more per acre, with leasing terms increased in the same ratio. Thus the land company, with no expense or trouble to itself, is in a fair way to quadruple its income. At the same time its action reduces the number of settlers and prevents the beneficial occupation of large portions of land which would be taken up readily at a reasonable price.

This system has been extensively carried out in South Africa by land companies which are generally owned and controlled by absentees. The shareholders are for the greater part rich men living in Great Britain or other countries outside the Union; and their sole object is to secure the largest possible return on their investment by taking advantage of the enterprise of tenants and of others who, by developing adjoining land, raise the value of the farms. In districts where there are mineral deposits the land companies are

often able to sell agricultural land at prices far in excess of its true value for purposes of cultivation.

There can be no doubt that this form of land speculation is fundamentally bad for the country. In one case within personal knowledge the operations of a land company prevented the development of a district. Ground which might have been usefully employed was kept in a more or less waste condition, and given over to Kaffir farming.

Some remedy must be sought; and the most promising appears to lie in a system of taxation on all land not beneficially occupied. Before this system can be applied, the meaning of "beneficial occupation" must be clearly defined. In the case of agricultural land a certain percentage of cultivated area should be fixed as a standard; and, in the case of land for stock-raising, a certain number of head per hundred acres. Farmers who have reached these standards should be exempt from taxation, and those who have not should be taxed according to the degree in which they fall short of the standards. Thus a farmer who cultivates only half the fixed proportion of land would pay half the tax.

In the case of absentee proprietors who take no steps to bring about beneficial occupation there should be a sur-tax of 50 per cent.

Not only will such a system of land taxation lead directly to an increase in beneficial occupation, but it can be utilised to promote the general prosperity of settlers. It is most important that the revenue derived from land taxes should not be thrown into the general funds of the country, but should be ear-marked for the maintenance of roads, drainage, water-supply, and other improvements in local conditions. In this way the men who pay the tax receive benefit from it. The expenditure of the money should be controlled by a Local Board formed in each district.

This Board could also play a useful part in land valuation. In order to arrive quickly and cheaply at a just valuation each owner should be asked to submit his own valuation to one member of the Local Board and to an official nominated by the Government. If the two assessors are satisfied with the valuation, it should be accepted, but if they do not agree upon it the land should be put up to auction,

at which the owner is entitled to act as a purchaser. Should his valuation be not exceeded, he will be relieved of all the expense involved in this process of trial, and his estimates will be admitted. On the other hand, if the auction price is in excess of the valuation, the owner will pay all the expenses and submit to valuation at the higher figure, should he become the purchaser. This arrangement would ensure reasonable valuations being put forward by the owners, and it would inflict no hardship upon them. At the very worst the owner would have to pay merely the auction expenses, and in the case of sale to an outsider he would not incur the costs of transfer, stamp duty, and so on, which are payable by the purchaser.

During the final session of the separate Parliament the Government of Natal imposed a land tax on the lines suggested. It was combined with an income tax in such a way that large landowners who were not beneficial occupiers were taxed through their land. While it did not throw a burden on genuine occupiers who were making good use of their land, it was graduated to make it unprofitable for landowners to hold large tracts of country

on the chance of sale at exorbitant prices. The good effect of the tax was very marked, although it remained in operation for only a short period. Extensive blocks of land came on the market and were sold at prices which enabled beneficial occupiers to make profitable use of it. In one among many other instances it led to the sale of a wide tract which had been held up, preventing the starting of what is now a flourishing industry.

Unfortunately the tax was not continued after the formation of the Union of South Africa. The land companies, including the one just mentioned, reverted to their earlier tactics and refused to sell their land at anything like reasonable prices. Some day, it is to be hoped, the Union Government will reimpose the tax, as it is certain to stimulate the development of the country and to lead to the multiplication of prosperous settlers.

CHAPTER XI

THE PASTORAL DEVELOPMENT OF SOUTH AFRICA

THE progress of South Africa as a stock-raising country is not widely realised in Great Britain. Within the Empire South Africa stands second only to Australia in the number of its cattle and sheep. As a source of wool supply, South Africa follows closely on Australia and New Zealand. A great deal has been done by the Union Government to encourage stock-farming, with the result that the country is approaching the stage of being able to export meat and dairy produce on a large scale. During 1913 the imports of butter, condensed milk, cream, and meat amounted to £1,185,300, but in 1915 this figure had fallen to £885,600 in spite of the rise in prices. The export of meat and eggs to Europe has already begun; and on the

measures taken by the Union Government to foster the organisation of these and kindred industries the future prosperity of the country largely depends.

Dealing first with the development of the meat industry, the main factor to be considered is the domination of the market by large Trusts. The practical question is whether individual traders can hope to carry on a profitable business in competition with huge enterprises with ample wealth, highly developed equipment, and ramifications over all the supplies and markets of the world. A brief consideration of the position of one of the Trusts will indicate that Government action will be required, at least in the earlier stages of development.

The last available balance-sheet of the Swift Beef Company shows a turnover of £115,000,000, and net profits of £4,093,000. A dividend of 8 per cent was paid on a capital of £15,000,000. These figures are formidable enough, but they are not so significant as the increase in the reserve fund during the year under review from £9,170,000 to £12,063,000. This total is much larger than is necessary for ordinary commercial risks, and it can have only one

purpose—that of a fighting fund. As such it is clearly adequate, and more than adequate, to crush in succession any number of private traders who attempt to come into the market.

The strength of the Meat Trusts does not, however, rest solely on surplus wealth. They have reached a high standard of technical as well as commercial organisation. While it is true that the meat-packing companies in America are free from the close inspection which is imposed on similar companies in Great Britain, and that they are further aided in their attacks on British enterprise by differences in income tax, it is also true that they have developed the possibilities of their business on a scientific basis. The Chicago pork-packers' phrase, "We use everything in the pig except the squeal," expresses the ideal which has been approached. The same thoroughness has been shown in every link of the chain from cattle to consumer. Stock-raisers are sedulously instructed in the best methods of breeding and feeding; the Bulletins of the United States Bureau of Agriculture contain a mass of useful information which is made common property in stock-raising

areas. Every encouragement, including financial aid, is given to ranch-owners to induce them to secure valuable pedigree animals for the improvement of the breed. In the factories great care is devoted to methods of slaughtering and dressing; elaborate arrangements are made for the utilisation of by-products; minute attention is given to the proper packing of the goods; cold storage is organised on a systematic basis; and the accounts of this huge and complex world-trade are kept on a model system of exactitude and efficiency. British firms have attempted nothing on the same scale of magnitude and thoroughness. They have been content to take supplies where they found them at a remunerative figure, and to conduct refrigeration and transport without any organised constructive policy.

The choice before us is either to accept American domination or to fight it in earnest. In 1912 the Swift Company invaded Queensland, forming the Australian Meat Export Company, and erecting a factory on the Brisbane River. This preliminary move in peaceful penetration was followed by the acquisition of the Alligator Creek Canning Works at Towns-

ville. Then the public took alarm, and the Government formed a Royal Commission—a one-man body consisting of Judge Street—to investigate the matter. His report was equivalent to the famous Irish verdict of "not guilty, but don't do it again." He suggested that nothing serious had happened, but that the country must be on its guard. The value of his qualified optimism may be gauged by the fact that the Morris Company has since acquired land for works in Queensland, and that Armour has prepared for extensive operations in New Zealand. It seems clear that the Swift Company entered Australia as a result of the successful shipments of chilled beef from the Redband Works, Queensland, during 1910 and 1911. Although this beef was treated on what is known as the Linley process of sterilisation—a process since improved upon—the results were satisfactory and gave a distinct threat of competition with all but the best grades of Argentine beef. In these circumstances the Americans found it advisable to gain control of the field by a process of penetration.

We may be assured that companies with fighting funds running into millions,

and with the traditions of the American Meat Trust, will make strenuous efforts to take charge of the meat exports of South Africa. It is the immediate duty of the Union to safeguard the independence of the trade which it has assisted to build up. A similar duty extends to Great Britain and other sections of the Empire, in regard to the maintenance of British trade in meat. And in carrying out this duty it is necessary to go to the foundation of the industry—the breeding of stock—and build upon that efficiently and with a wide eye open to the needs of the future. However much the home production of meat may be encouraged in Great Britain—as it was encouraged by the Diseases of Animals Act—it will be necessary for that country to look overseas for a considerable proportion of its meat supply. The extent of the importation during the year before the War is indicated by the following table :—

Imports from	Beef.	Sheep.	Lambs.
	(Quarters.)		
Argentina . . .	4,477,160	1,876,378	805,296
Australia . . .	1,275,752	2,608,654	1,741,897
New Zealand . .	371,604	2,171,102	3,644,227

Since the beginning of the War Brazil and South Africa have entered the field as exporters. The demand after peace is, however, expected to exceed the visible supply; America will probably import and consume more meat; and Germany, Belgium, France, and Italy will also be increasingly keen competitors for the world's output of frozen and chilled meat. Prices will therefore rule high, especially for the better-class products like the chilled beef of Argentina and the various classes of lambs. It is in these directions that we, on our side, must organise resistance on a definite plan, conceived with the greatest forethought and carried out with unflinching resolution. We must beware of a natural temptation to "muddle through," with tentative thrusts at one or two sections of the enemy's line. The meat monopoly cannot be fought by merely sending an insulated boat to a new country and bringing back a cargo of indifferent frozen beef. The plan of campaign must be laid down on an Imperial scale and must reach from the breeder to the ultimate buyer.

As the American Trusts have not yet invaded South Africa, that country has

an excellent opportunity of putting into effect a sound constructive policy for the production and export of meat. Favoured by climate and by the increasing demand, private companies would probably be able to inaugurate successful trade in meat export, but the crucial point is that as soon as the commercial prosperity of the business is proved, the Trusts will be certain to invade the country, buy up local concerns, organise complete control, and put themselves into a strategical position for dictating their own terms to the farmer. When that happens, the lion's share of the profit will go to Chicago.

Experience has proved that private enterprise is helpless against this process of capture. Nevertheless the alternative does not lie in putting the business under the ownership and control of the State. The breeding of stock and the export of meat form one of those flexible and rapidly developing undertakings which are best conducted by private capital, but there is a wide scope for Government support and organisation. Beginning at the breeder, a Government can, as America has shown, do useful service by collecting and distributing information on the im-

provement of herds and in methods of handling stock. There is a wide field for research, on Mendelian lines, into methods of raising the general standard of quality. How much remains to be done by concerted effort under Government stimulus may be gathered from an expert's report on Queensland: "Throughout some of the best cattle country I found them breeding from mean, scrubby bulls; they were faulty from head to tail, and guaranteed to effect a general deterioration of the herds." Recently the Hon. D. J. Gordon spoke to the same effect. There is probably an economic cause at the root of this open disregard of the elementary laws of stock-raising; and the Government might remove it by arranging the export of the valuable breeding animals for which England is famous and for which the *estancieros* of Argentina are ready to pay such enormous prices.

The research which is required to determine and evolve the most suitable breeds for any country is more costly than any private firm can afford. In another direction the State must bring the common wealth to bear for the solution of a problem in which every stock-raiser is vitally

interested. The great drawback to both agricultural and pastoral life in South Africa is the multiplicity of pests and diseases. Prominent among these have been rinderpest and tick fever in cattle; blue tongue in sheep; and "horse sickness" in horses and mules. In former days these scourges were looked upon by ignorant farmers as visitations of God, not to be combated and overcome, but to be accepted as punishment for evils committed by the nation or the individual. The modern method of dealing with them is to set on foot inquiries, under Government auspices, into their causes and processes. For example, the Research Department at Pretoria has been successful in immunising mules against "horse sickness"; and there is every reason to hope that its triumph will be extended to horses also. In other directions Sir Arnold Theiler and his associates have been able to discover valuable remedies.

One advantage of carrying out such investigations under the State is that legislation is frequently required to bring the remedies into full effect. "With the advance of scientific knowledge," remarks the Dominions Royal Commission, "the

advantages of 'dipping,' as a preventive of many animal diseases, are being generally recognised and appreciated by European and native farmers." It is useless to leave the work of dipping at the option of the farmer; "Dipping Laws" must be passed and enforced rigidly to stamp out the trouble. East Coast fever, which was once prevalent among the cattle in the northern and eastern portions of the Union, is now fully under control and may be totally eradicated. Scab among sheep has also been reduced to a minimum.

It is worth noting that, in the researches which have led to these cures, the most refined and elaborate methods of science are employed. Without the study of what is called "pure science," South Africa would still be at the mercy of its devastating plagues.

Other directions in which the State may legitimately assist the stock-breeder are those of irrigation, the establishment of cold storage plants, and the organisation of transport, both internal and overseas. In South Africa the distribution of rainfall is very uneven; and the inequality may be redressed by well-devised schemes of irrigation. The Union is already engaged on a

hydrographic survey, and it has recently inaugurated large schemes of water conservation for irrigation purposes. Much time and money are also being devoted to boring for underground water, which is found at a comparatively shallow depth at many places in the Union. Although the flow is generally not abundant, it is often sufficient to serve the needs of large herds of sheep and cattle. In Australia the question of water supply is more difficult, and considerable areas in the various States have been included in costly irrigation schemes. With the development of pastoral and agricultural industries in these and other parts of the Empire, the responsibility of States with regard to water supply is bound to increase. In view of the expensive nature of the construction work involved in irrigation schemes, it is of the highest importance that no proposal should be undertaken without the most careful investigation of the scientific and economic factors. The problem should be envisaged as a whole and dealt with on a comprehensive plan so as to avoid the waste of money and efficiency entailed in tackling each district by itself.

The provision of cold storage facilities

may not offer so clear a case for State ownership as irrigation works or even railways, but if the Government of South Africa continues to support the Union stock-breeder and arranges to safeguard his industry against Trust competition, it cannot afford to be indifferent to the question of organising that most vital element in the success of the meat industry. Whether cold storage is undertaken as a separate industry or by a co-operative effort within the industry, it is of the utmost importance that the equipment should be adequate, up-to-date, and suitably located. A Government working in close co-ordination with the stock-breeders can arrange these matters. On the other hand, there is a good deal to be said for regarding cold storage as an integral part of dock and harbour equipment, thus making the matter part of the wide problems of Imperial shipping.

Another factor which must be closely correlated with shipping and kindred facilities is that of internal transport. It is of little use to organise cold storage on the large scale and to encourage stock-breeders to increase their output if the communications of the country are inadequate to

keep the stores occupied or the shipping service in full commission. Here, again, we perceive the necessity of tackling the question of Imperial industries from the Imperial standpoint, devising our organisation to cover everything from the raw material to the consumer.

In South Africa, as in other Dominions, the State has recognised the cardinal necessity of cheap transport by building railways at the public expense. Having the main lines of communication under its complete control, the State is able to adjust facilities so as to encourage particular industries as required. Valuable as the power certainly is, it must be used with great discretion. The flat rate for mealies, instituted by the Government of South Africa, was undoubtedly the means of reversing the tide of imports and encouraging a regular export trade; and it represents a policy which ought to be extended. On the other hand, the system of South African produce rates, by which a preference is given to articles produced locally, is one which should be abandoned at once. Its object is to afford protection to the producer, by carrying local goods at lower rates than imported goods, but this object

is not secured in practice. What really happens is that the bulk of the difference between the two rates finds its way into the pockets of the middleman. The consumer pays almost as much for local goods as if they were carried at the same rate as imported goods; and the producer, on his side, gets little more than a price equivalent to the cost of goods, plus duty, landed at South African ports. Another drawback to the system is that it opens the door to fraud. Cases have been detected in which imported goods labelled "S.A.P." have been carried at the lower rate.

The soundest policy is to make railway rates on all produce as low as possible, consistent with avoiding a loss, and to offer reductions only in such cases as mealies and other goods of low value for export, where it is desired to foster the development of an agricultural product. The loss entailed by this exceptional treatment will be made up indirectly by the increase in employment and in the investment of capital which it encourages, and directly by increased rates on non-essential articles of high value.

Protection to the farmer should be

afforded by a general system of duties imposed at the port of entry. He would thus be enabled to build up his production in competition with imported supplies and, when he has passed the stage of meeting all the local needs, to send his surplus overseas to the most favourable market. Under a system of Imperial preference that market would, generally, be somewhere within the Empire.

Railways are, however, only one element in the transport problem. They are the trunk lines of a system which, in order to be complete, must include a subsidiary network of light railways and good roads. Light railways may be regarded as pioneers of ordinary railways. They can be constructed at a low cost to serve in opening up districts which are as yet too sparsely populated to justify the expense of a heavy railway. They should in all cases be planned with a view to becoming heavy lines when their full effect in stimulating development has been realised. Then by widening embankments and by other secondary alterations they can be transformed into trunk routes on standard gauge, the rails and other discarded equip-

ment of the old lines being used in the construction of new light railways.

Owing to the local character of light railways and their low cost, they can be most conveniently financed by the farmers in co-operation and under a Government guarantee of interest. This arrangement implies, as a matter of course, that the construction as well as the planning will be done under Government supervision. In return for its guarantee of interest the Government may reserve the right of expropriation of the railways at cost. Under the more or less speculative conditions pertaining to light railways, it is better that the initiative and the onus of making the enterprise a success should rest with the men who are to derive the greatest direct benefit from the line than that the Government should lock up large sums in local undertakings.

An addition to the light railway is the development of motor transport on roads. It may be assumed that if the roads are constructed the transport will follow in response to the demand for carriage between farms and the railways and towns. Roads are admittedly the work of the State or the local authorities; and

it will be necessary for a considerable amount of money to be spent every year in each district to provide the highways of local commerce. And while animal haulage will meet the needs in a large number of cases, the full value of road provision cannot be realised without a liberal use of mechanical power. This, in turn, rests on the availability of ample supplies of cheap oil. A careful survey of the natural oil resources of South Africa has already been made; and in 1914 Mr. Cunningham Craig issued a report in which he stated that, with the possible exception of North East Natal, favourable geological structure is found only in the Cape Province, and there only in a narrow strip at the south edge of the Karroo. He recommends that investigations should be made in this belt before abandoning the hope of striking petroleum, but he adds that the prospects are of less importance than those of the development of shale mining and refining. "All the evidence to hand at present," he remarks, "leads to the belief that an oil shale industry has good prospects of proving successful, and I would urge that no effort should be spared to ensure that a fair test of its possibilities be

made." It may be added that in the United Kingdom and elsewhere close attention is being given to the utilisation of coal in the production of power, with the evolution of a number of products, including oil. The known coal resources of South Africa have hardly been touched; and a detailed survey will probably reveal large additional sources of supply. The Union Government is, therefore, in a very favourable position to establish a coal conservation scheme which will not only meet the demands of industries for power but will afford supplies of fertilisers, oils, and various chemicals of value for local use or for export.

CHAPTER XII

INDUSTRY AND LABOUR IN SOUTH AFRICA

ALTHOUGH the main line of evolution in the Dominions is concerned with the realisation of mineral wealth and the development of agricultural and pastoral industries, manufacture has by no means been neglected. Canada has made the greatest headway in this direction, but all of the Dominions nourish ambitions to establish within their borders the production of goods appropriate to the raw materials and power resources available. From the standpoint of Imperial progress these ambitions must be welcomed in a liberal spirit, even though they may appear to open up a form of inter-Imperial competition. Broadly speaking, the relations between the Mother Country and the Dominions are by nature reciprocal, the Dominions supplying foodstuffs and raw

materials, while Great Britain exports manufactured products. But just as the agricultural development of Great Britain is a sound policy and not inconsistent with a large measure of dependence on Colonial food-products, so the industrial growth of the Dominions is a legitimate aspiration and one making for Imperial strength. All these matters must be regarded from the standpoint of Imperial unity.

In South Africa the possibilities of manufacture have been overshadowed by the more manifest opportunities in field and in mine. Protective care has been given to products of the soil, but the import taxes levied by the Dominion have had revenue, not protection, as their object. Under a revenue tariff the country benefits by neglecting local manufacture and by importing as much as possible. Such a tariff is, no doubt, essential to a country where the demand for capital and material and labour in the development of natural resources is far in excess of the supply. Nevertheless South Africa has already made a beginning with certain manufacturing industries ; and its activities in the future are sure to provide further

examples. No large self-contained section of the Empire can be content to develop solely along one or two lines. Sooner or later the question of protecting nascent industries must occupy attention.

In order to show what may be done towards building up an industry in South Africa the case of match manufacture may be mentioned. When matches were first produced in South Africa everything used in their manufacture was imported. This was a typical case of what is known as a Bastard Industry. For example, prior to 1906 a match factory established in Natal imported manufactured splints, boxes, and packing-cases; all it did was to tip the matches, pack them in boxes, and despatch them in the cases. Step by step the undertaking passed from this easy form of assembling to actual manufacture. In 1906 a splint factory was opened, for which wood was imported direct from Russia. In 1910 the making of boxes was started, again from imported wood. During that period of development raw materials were imported at a total cost of £108,470—an average of £27,235 per annum. As a result of further progress in self-support, the importation of timber

was, from 1915, stopped altogether, and supplies of native wood were purchased at an average annual cost of £32,836. Only paper and chemicals were imported.

The result of this gradual advance is that the factory provides a market for native timber, pays from £8000 to £10,000 per annum in wages, and has supplied matches at 1s. per gross less than the price of the imported article. It is almost unnecessary to emphasise the fact that the existence of a local source of supply has been of great value under war conditions.

Other industries established in South Africa, such as the manufacture of chocolates and sweets, depend to some extent on imported raw materials, but largely on products which can be obtained locally. In almost every case the price of the finished article is less than that of the imported equivalent, and the existence of these industries has, like that of the match industry, been a source of strength to the community during the War.

A slight measure of protection would lead to the multiplication of such industries, and would enable South Africa to round off its economic development. In view, however, of the peculiar diffi-

culties surrounding the labour situation, it is of vital importance that the protection shall be afforded in a manner which will prevent the exploitation of workers, especially the semi-skilled and the unskilled, who are not combined in powerful unions. Labour, indeed, must have the first consideration in any scheme of protection for industries. A decent standard of living, adequate wages, and reasonable hours of work must be assured to all classes of operatives. At the same time the white population must be safeguarded from the tendency to degeneration which shows itself in a labour market liable to be flooded with masses of coloured workers.

To achieve this all-round protection in an effective manner, each industry must be closely studied to determine broadly the fair proportions of the three classes of labour—skilled, semi-skilled, and unskilled —to which it may be expected to afford employment. Let us assume, for example, that the labour in a given industry should be divided as follows : 10 per cent skilled, 15 per cent semi-skilled, and 75 unskilled. The next step is to fix the living wage and other working conditions for each class of labour and to establish an excise duty on

the products of the industry, cancelling this excise only in the case of employers who observe the specified conditions. By this simple means every employer will have a direct incentive to treat his work-people well, and there will be a solid barrier against any endeavour to undercut competitors by the aid of sweated labour.

In order to operate this scheme under the changing conditions of life and labour, and in order to make the standards of wages and hours acceptable to all concerned, it will be necessary to organise Joint Industrial Councils more or less on the lines proposed by the Whitley Report, referred to in Chapter IV. Probably, in the early stages of each industry, a simpler form of Council will be sufficient, such as a Board with three members, one representing the employers, one the workers, and the third being an independent nominee of the Government. In the event of disagreement there should be appeal to a higher tribunal, presided over by a Judge of the Supreme Court.

Among the principles which should govern the decisions of these Boards, one of the first in importance is that no distinction should be made between skilled and semi-

skilled labour. Any other arrangement would lead to chronic discontent. The second is that the choice of white or coloured labour should be left to the complete discretion of the employer, the wages being controlled by merit and according to the scale of minima drawn up for each class.

The same policy of control by excise duties should be applied to industries such as mining, where no duty is imposed. These industries, it may be observed, belong to the class which is naturally protected. All Government trading departments, such as railways and harbours, should also come under a similar system of assessment of labour conditions, special legislation being drafted to enforce the conditions. Government departments as a whole should also co-operate in fostering local industries by placing all orders in the country, save when the price of home-made articles is unreasonably in excess of that at which they can be imported.

If plans of this description are laid early, while industries are still young and flexible, the development of manufacture will not only be stimulated, but will be directed on lines which lead to economic stability and social progress.

CHAPTER XIII

THE MINING INDUSTRY OF SOUTH AFRICA

THE policy of a self-supporting Empire outlined in the preceding chapters offers a purely constructive ideal in economics and in statesmanship. It implies a synthesis of the Mother Country, the Dominions, the Colonies, and the Dependencies for the fullest development of each in co-operation with the others. Both means and object lie within the range of the Empire itself; they interfere as little with the ambitions of nations outside as they depend upon them. In organisation and in intention a self-supporting Empire will be non-aggressive; and its well-knit strength will certainly be devoted to peace and freedom of intercourse among the nations.

Nevertheless it is prudent to realise that the healthiest organisms are liable to parasitic attack. The wealthier and more de-

veloped the Empire becomes, the more will it appeal to the jealous cupidity of people who regard commerce as a form of invasion and capture. While the Empire need not fear to enter into open commercial relations with the majority of States, there can never be the same confidence towards a nation which has made war the first law of life and has mobilised diplomats, manufacturers, merchants, and a countless army of agents of all sorts in the waging of economic war as a preliminary to military attack.

There exists, among certain good-hearted people, an expectation that the German after the War will be a different man from the German before or during the War. They feel that the German tendency to regard war as a "biological necessity," and to organise trade for the total destruction of competitors and the exclusive command of every market, is a superficial trait which will disappear under the ordeal of war. They may be right; but if they are, then the Prussian, who has bestrode the German Empire and permeated it with his lust for domination by force, must be transformed into something radically different from what he has been for the

past century, if not for many centuries. He will be the first to profess a change of heart if the profession is likely to further his designs. But is there any man who can look at the record of the Germans during this War and dare assert that in defeat or after defeat they will be anything else than the enemy of civilisation and progress ?

Nations are not converted in a day. Like species of animals they have congenital qualities and instinctive habits which cannot be modified save in the slow processes of evolution. And if we now recognise the folly of permitting the Germans to penetrate and largely to control our economic machinery before the War, it is no more than common sense to protect, from any similar influence, the greater and more elaborate mechanism which we now propose to erect. Nothing must be left to chance, or to the pious hope that the peaceful penetrations of the future will be any less destructive than in the past.

South Africa has a peculiar interest in this phase of economic protection, since it was the theatre of one of the most comprehensive acts of German commercial war. The best way to realise the necessity

for vigilance in the future is to review the methods by which the Germans rose to a commanding position in the great industrial and financial centre of the Union.

Nearly all the early work of prospecting and mining development on the Rand was done by Dutchmen and Englishmen. Most of the capital required was provided by the British. But as soon as the enormous richness of the gold deposits became apparent, Germany took steps to control the mining industry, and to divert the direct and contingent profits to the Fatherland.

The preliminary operations were characteristic of German political methods. Whenever Germany desires to weaken a State, she opens up a subtle intrigue which draws that State into a quarrel with others. She sets the two dogs fighting over the bone which she herself desires. In the case of South Africa she had a convenient opportunity in the lack of sympathy between the Dutch and the English. Peaceful penetration of the mining industry by means of unlimited credit provided by the Deutsche and other German Banks was aided indirectly by the fomenting of trouble between the two races.

Had the Germans never obtained their grip upon the mining houses we may be sure that many chapters in South African history—the Jameson Raid, the introduction of Chinese labour, the series of industrial strikes, and the Rebellion—would have been written differently. And the most disturbing feature is that the German control is still in existence, and the country still distracted by racial strife. Failing drastic action, the richest gold-mines in the world will remain under German control, and the unity of South Africa will remain a name.

Even since the outbreak of war mining areas of great value have been taken up by the agents of Germany, and other areas are in process of being surrendered. Unless this movement is reversed it is only a matter of time for all the mining industry of any value to pass within the German system of finance and exploitation.

Before discussing how the change, so vital to the future of South Africa, is to be brought about, the method of economic conquest adopted by the Germans should be carefully studied. Its beginning and its end lie in finance; its course is simple and to all appearances quite innocent.

The Germans seldom, if ever, come on the scene during the pioneer stages. They wait for the critical stage when the initial capital has been exhausted in development but has not begun to fructify. At this stage an accession of working capital may put the undertaking firmly on the high road of success; but under normal conditions it is not easy to secure it, either from original shareholders or from outside sources, for a business which has spent all its money without earning dividends. With their instinct for the weak spot of an adversary, this was where the Germans set to work in the Satanic rôle of obliging a friend in need. German financiers, who were really agents for German Banks, offered to find capital for developing the properties. As their resources seemed unlimited, their terms were readily enough accepted. A new company was formed with a capital three or four times that of the old, and part of this paper capital was used to pay off the shareholders in the original company. At the same time a controlling interest was held by the German agents, who also took care to secure options on new issues of shares.

By this process the undertaking passed

completely under German control. No cash payments were involved in the actual transfer, as the payments were made in scrip. Moreover, the fresh capital required for plant and development was arranged as part of the hand-in-hand system of German industrial finance. The controlling interests ordered all plant from Germany, and made its payment a first charge on the mine or other property, upon which large amounts of money had been spent by British and other investors. Nothing could reveal more clearly the essentially parasitic form of German penetration.

The process, however, did not end there. Control by German Banks of individual mines was merely the preliminary to an amalgamation of the various properties. Their value on the Stock Exchange was depreciated by well-known methods; and after the price of the shares had been reduced to a minimum—in some cases less than one shilling—they were quietly bought in by German agents from shareholders who thought it better to cut their losses. The flotation of a consolidating company was next undertaken, all the mines being mortgaged to the full extent

of their liability to the controlling group. Although it was part of the plan to represent the properties as, for the time being, of very doubtful value, the Germans were always careful to employ the best technical advice in proving the solid value of the mines and in organising their development. The amalgamated companies proceeded, with the aid of German credit and German plant, to improve the properties up to the stage at which fresh issues of capital could be made, with a fair prospect of success, among British, French, and other non-German investors. As the German Banks invariably held options on all new issues, it was a simple matter to make the issues at a premium and to lead the public to imagine that the shares were a bargain.

The essence of the whole system is to use the British investor as a means of securing profit to German Banks and German manufacturers. Thanks to the cosmopolitan character of British finance and its complete indifference to British industries, the mines of South Africa became a pillar of German prosperity, and a similar system of penetration extended through every department of industry and trade in the Union.

In Germany itself the custom of buying German goods whenever possible is so widespread, from Government Departments down to private citizens, that it effectually plays the part of a prohibitive tariff. In countries like South Africa the same custom is organised on a Circle system of the most elaborate character. Every manufacturing and commercial interest is represented in a Circle; and in the centre stands the group of German Banks. Each member of a Circle is pledged to help every other member by giving orders or putting business in their way; the united resources of the Circle are available for the profitable working of each firm; competition is tempered by co-operation; trade information obtained by members acting as agents for British and other rival firms is circulated; and business is introduced to German firms outside the Circle in order to induce them to join and so increase the power and range of the organisation.

Under this Circle system the money supplied by German Banks to develop a mine could be made to feed a long series of manufacturers and merchants. Not only did German firms get the orders

to equip the mines, but electrical firms secured contracts for electric power installations, and got control of the large and profitable business in cables, motors, switchgear, and other accessories; the German makers of constructional steel, locomotives, and railway plant took their share; orders were secured by miscellaneous German contracting firms for supplies of road-making materials; advertising firms, second-hand machinery dealers, metallurgical firms, brick-makers, garages, wholesale chemists,—these and others drew sustenance, each in its own way.

It is impossible not to admire the skill and the co-operative energy displayed by the Germans in this development. But it is equally impossible to overlook its menace to the economic independence of South Africa and the progress of British industry. The ultimate object of German finance and the Circle system is to achieve economic domination by obliterating all competition. No individual firm can stand up against the process. Let us assume, for example, that a British firm is tendering for the electrical installation in a South African power-house. The interest of the firm begins and ends in the plant which it

supplies; it must, therefore, secure an adequate profit on the order, and on the order alone. A German firm, on the other hand, can afford to take a broader view. Apart from the easy terms of credit which the German Banks will grant, it is able to supply the generating plant at a cut price and recoup itself by charging high profits on the auxiliary plant which, for technical and financial reasons, must be of German design. Moreover, it is associated through the Banks and the Circle with German firms which obtain orders in connection with the scheme and are able to bring orders for electrical plant required for other projects. Any incidental loss to an individual firm is more than recouped by the benefits resulting from this comprehensive grip upon the whole range of enterprise. At any critical stage the firms can join forces to crush a competitor who threatens to become formidable. The effect of the system is cumulative, since business feeds business and the growing strength of the Circle makes it increasingly difficult for any independent firm to break it.

How, then, is it to be broken, as broken it must be? The only way is for the State

to reorganise the conditions under which the Germans have been free to carry out their schemes. Local adjustments and tentative efforts by the Government are as useless as attempts by individuals or private companies. The cure must be radical, and must begin with a drastic alteration of the system under which the mineral wealth of the country has been developed. So long as mineral resources can be exploited by individuals, corporations, or trusts, without the country retaining part of the ownership and control, so long will it be impossible to prevent the maintenance and progress of German influence throughout the mines and the manifold enterprises which depend upon them. The practical problem is to organise State supervision in a form which will safeguard essential interests and stimulate the fullest and healthiest development of gold-mining and other industries.

Direct mining by the State is open to many objections. While it gives expression to the sound principle that mineral resources belong to the country, and that surface ownership should not carry with it the full proprietorship of underground

wealth, it is apt to be rigid in its methods, slow in its action, and inefficient in its practical operation. The ideal arrangement would be one embodying State ownership and securing the initiative and commercial ability of private enterprise.

A promising attempt to reach this ideal has already been made in the case of the Premier Diamond Mine, where the State holds a 60 per cent interest, and participates to that extent in the profits. What is now proposed is an extension of that system to other mining ventures, with modifications to suit the special conditions of each mineral and each locality. The system has the merit of extreme simplicity. Whenever a mining company is floated, a proportion of the capital will be transferred to the State in the form of fully paid shares, the amount being determined by the prospective value of the minerals, on the basis of the precedent afforded by the Premier Diamond Mine. State participation in this manner would enable the Government to render assistance to prospectors. Under existing conditions the prospector is haunted by the fear that he will be robbed of the fruits of his labour in discovery and development. There is

hardly a single instance of the original discoverers on the Rand retaining a large interest in the mines. In most cases they have been frozen out by the operation of the German Circle system. The present Gold Mining Laws are, in fact, so devised as to leave the individual prospector helpless in the hands of the large houses, most of which are under German control. Until these German-inspired laws are altered, prospectors will have little or no inducement to do their utmost in discovering sources of mineral wealth. The Government alone can act in this matter; and its first concern should be to ensure to the prospectors and to the men who prove the value of a deposit an adequate royalty on the output of the mine for a term of years. On a broader basis the State may assist mineral progress by undertaking surveys of new territory and thus giving a useful lead to the prospector.

At the same time it is necessary to bear in mind that money is the root of German control. The best-laid schemes of State aid will fail to make the position secure for the Union if the Government neglects to supervise the financial operations of the mining companies. A negative policy

in this matter will be insufficient. The Government must organise, through British Banks and financial houses, arrangements by which capital will be available for sound ventures. By placing nominees of the Banks on the boards of the Companies, and by securing State representation in the Banks themselves, full control over the use of the capital supplied at the instance of the State could be maintained. With this machinery the State could safely guarantee capital for mines which had been developed far enough to prove their commercial soundness. The Mining Company would remain a debtor to the Bank, and the Bank to the State, which would in every case participate in the results of the enterprise. If possible the State guarantee should be divided equally between Great Britain and the Colony or Dominion in which the mine is situated, each half accruing to the State when the flotation of the Company took place.

In order to safeguard the investor against contingencies, such as the forcing down of market values while the mine is in course of development, part of the profits belonging to the State could be set aside

as a sinking fund. The money so provided might be used to keep shares up to their par value by purchases in the open market up to a fixed percentage of the total issued to the public.

These proposals are not offered as a cut-and-dried scheme, but merely as embodying a principle which must be followed, in South Africa and in all other portions of the Empire, if we hope to retain and develop our staple industries so as to carry the enormous load of debt which the War has thrust upon us. There is room for differences of opinion on specific measures such as that of State intervention in South African mining; for example, Messrs. Bleloch and O'Flaherty recommend in their volume, *A Thousand Millions*, a complete policy of State mining, but while this advice may be criticised, the convincing details which the book gives of the operations of the Circle system and the German plan of control leave no room for doubting the absolute necessity of a strong national and Imperial policy of economic defence.

In some quarters it is argued that such a policy, which in its negative phase is frankly directed against the commercial

ambitions in Germany, is likely to prolong the ill-feeling arising out of the War and to lead to the risk of a further conflict. This argument, however, assumes two things about the German character. It assumes the probability of the change of heart which we have already discussed, and dismissed. It also assumes that it is the strength of an opponent which rouses the German to his jealous work of penetration and economic destruction. This assumption is not much more sound than the first. If there is one thing that the German respects it is organised strength. He admires it in his leaders and seeks to impose it on his inferiors. Never in its history has Germany been guilty of the heroism of tackling an enemy known to be stronger; in her dealings with Austria, Denmark, France, Serbia, and Belgium she was tempted by the weakness of her neighbours. The exception afforded by this War is only apparent, since the entrance of Great Britain, to say nothing of the United States, was notoriously outside her original calculations. Likewise in the economic field it was the complacent *laissez-faire* of the British which led her irresistibly to the control of the metal industry, the capture

of key industries, the attempted domination of shipping, the subtle intrigues in South Africa, and all the other forms of commercial conquest. In Belgium, in Switzerland, in Russia, and in every market where her agents penetrated it was not by the straight matching of power with power that she acted, but by concentrating her forces in secret on the most vulnerable spot. In brief, she carried the axioms of war into every detail of her commercial life.

Reference has already been made to the German economic penetration of Switzerland. But that is less striking than what is happening in Spain, because the Swiss campaign is merely a continuation of pre-war effort. Spain has the distinction of being a field which has been systematically exploited since the War began. Many German soldiers and civilians from the Cameroons, and many German refugees from belligerent countries, found asylum in Spain. Immediately they set to work on exactly the lines which, we are assured by optimists, the Germans will abandon as a result of the War. The country, economically weak and politically unstable, has been helpless under the German invasion. Al-

though most of the refugees arrived penniless, they were soon provided with ample funds by German Consuls; and each and all of them played their part in politics, in industry, in trade, in journalism. The majority of Spanish newspapers are actively pro-German, thanks to the power of German money. Not a single opportunity, public or private, is lost to assert the invincibility of the German Empire and to discredit the methods and policy of the Allies. The peaceful army of 80,000 or 100,000 German agents has gone far to destroy the traditional friendship of Spain for Great Britain; only the better-educated and more-travelled Spaniard has been able to withstand the increasing campaign of calumny and insinuation. Meanwhile the army is gaining control of the strategic points in Spanish trade. Many of the most profitable mines are under German control, and other industries have been subjected to the familiar form of permeation. The Germans have even gone so far as to establish a large sugar refinery since the War began.

It is not by accident that Spain has been selected for penetration during the War. The country has ports open to the

Atlantic and the Mediterranean; and when the economic control brings its inevitable result in political control, Spain will prove a valuable outpost of the German Empire. Apart from such ulterior objects, Germany recognises that she must secure trade after the War where she can; and she is not likely to be more scrupulous about the means than she was in, say, South Africa before the War and in Spain during the War. Under the pressure of "military necessity" she adopted a submarine policy which has alienated the sympathies of almost every neutral country. We may be sure that she will use every instrument of plausibility and cunning to recover her position. Her desire for an "economic peace" is some evidence of her anxiety that she will find herself an outlaw from the world's markets. The conflict which developed towards the end of 1917 between the Pan-Germans and the "no annexation, no indemnity" school was due less to a desire for peace than to an endeavour to prevent an economic disaster. On the one hand, the Pan-Germans advocated complete conquest all round in order to establish new lines of trade. On the other hand, the moderates foresaw that military

victory might not suffice to keep markets open. They reasoned with Professor Förster that "if people's hearts are closed to us, their warehouses are closed to us also."

It will indeed be a long time before the heart of the world opens to Germany. Whatever Governments may do to keep the channels of trade open to Germany, so as to save her from a bankruptcy which would prove an international weakness, the people will never forget the orgy of atrocities with which Germany attempted to terrorise the world. And in no case can any Government permit Germany to resume her former policy of economic domination. Just as the League of Nations must make itself so strong on the side of peace and treaty rights that Germany or any other aggressive Power shall not dare to challenge it, the Empire must build its economic structure four-square on an inviolable foundation so that Germany will never be tempted to attack it. This can be done if each part of the Empire contributes its full share of resources and skill and energy to the common stock, if minor interests and petty quarrels are sunk in the tide of a common purpose,

if capital and labour, the manufacturer and the producer of raw material, the merchant and the shipper, the man of science and the statesman, work together on the common task of realising the unlimited potentialities of our Imperial heritage.

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