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PROBLEMS OF PEACE

SEVENTH SERIES

by

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INTRODUCTION

THIS volume contains the lectures delivered at the meeting of the Geneva Institute of International Relations held in Geneva in August, 1932. It thus constitutes the seventh of the series containing the Proceedings of the Institute.

For those who come across this series for the first time, it may be useful to indicate the special, and indeed unique, character of the Institute's contribution to the study of international questions. Many of the authors of the addresses in the present volume are well known in the field of international studies. Their contributions to the present volume have, however, this distinctive character, that they were made in Geneva itself during a week of personal contact with the great institutions of world administration, and in an atmosphere where academic discussion inevitably tends to be leavened by considerations of practical possibility and political expediency. The atmosphere of Geneva is sometimes described as though it corresponded to a kind of international revivalism in which statesmen were apt to lose their sense of realities and agree to solutions or proposals which in their sane moments they would be the first to reject. There is still idealism in Geneva, but it is of a severely practical kind. The search for the modalities of action, the exploration of the possibilities of practical achievement, is Geneva's main concern, and the main preoccupation of the new international civil service. In the Institute the elements that represent thought and the elements that represent action meet to the undoubted advantage of both, and it is the result of that contact that gives to

most of the lectures in this volume their special interest and quality.

* * *

The lectures in the present volume are all connected with the general topic of the World Crisis and the need for national and international economic planning and action.

It would certainly be difficult to find within so limited a compass at once so complete and so vivid a description of the main elements in the problem which challenges man's governmental capacity to-day. Although some of the analysis involves close reasoning, the fact that the papers are based on oral addresses renders them peculiarly easy for the busy reader, and in the case of the papers dealing with Russia and Japan and China the discussion of the problems those areas present is enlivened by the personal experiences of authors who speak as eye-witnesses of the events they describe.

The thanks of the Institute are once more due to all the contributors, and those thanks will no doubt be echoed by readers who will find in this volume a discussion of to-day's international problems which is authoritative without being pedantic. It should perhaps be added that the Institute as such holds no thesis on any of the problems dealt with and that the opinions expressed in one or other paper represent the views only of the author concerned and of those whom he may happen to convince.

THE EDITOR.

NOTE

The Geneva Institute is an independent organization for the study of International Relations. It endeavours to secure as Lecturers and Leaders of Discussion those who are generally recognized as authorities, whether they be politicians, professors, civil servants, publicists, or eminent officials of the League with practical experience of its administration.

In 1933 the Institute will meet from August 13th to 19th. Further particulars may be obtained from

The Secretary, The Geneva Institute of International Relations, 15 Grosvenor Crescent, London, S.W.1.

The Assistant Secretary, The Geneva Institute of International Relations, International Club, 4 rue de Monthoux, Geneva.

The Secretary, The League of Nations Association, 6 East 39th Street, New York City.

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CHAPTER I

1931–2: AN INTRODUCTORY SURVEY

by

DR. G. P. GOOCH

Author of *History of Modern Europe, 1878–1919*, etc.

NO period since the Armistice has been richer in events and experiences than the year which has elapsed since the last meeting of the Institute in August, 1931. First and foremost it has witnessed what President Hoover has justly described as 'the greatest economic emergency in all history'. Sir Arthur Salter has recently traced with a master hand the process of convalescence from the destruction and dislocation of the World War, and its sudden interruption by the economic blizzard in 1929. Since the orgy of speculation in New York nearly three years ago, the material achievements of the first decade of peace have been for the most part swept away by the gathering flood. 1930 was worse than 1929, 1931 worse than 1930, 1932 worse than 1931. It has been a veritable *crescendo* of misfortune. At this moment no one can assert with confidence whether we have touched bottom, or whether even more poignant suffering is in store for distracted humanity. The enemies of 'capitalism' profess to hear the death-rattle of the system they abhor, and its champions are busy with projects of adaptation to the needs of an impoverished world. We may safely prophesy that, as the war led to the rudiments of a new international order in the political field, the blizzard will drive the unruly members of the human family, as the price of their survival, in the direction of a planned economy.

Nothing will be quite the same after our fiery ordeal. The detailed discussion of the crisis and its solution I shall leave in the competent hands of Sir George Paish.

i. *The Far East.*

In attempting a survey of the political occurrences of the year we must begin in the Far East, where a drama of world-wide significance has been unfolding itself since 18 September, 1931. Japan enjoys the reputation of looking before she leaps, and her occupation of Mukden bore every mark of being as thoroughly planned as it was carefully timed. Her rights over the South Manchurian Railway, with 15,000 soldiers to guard it, were incontestable, and the inability of the Nanking Government to assert its authority in that distant province was patent to every eye. The disorders, however, were no novelty, and when Japan struck her blow it was generally felt that she was seizing a favourable opportunity for the execution of a long-cherished design. It was indeed widely believed that the cutting of the South Manchurian Railway near Mukden on 18 September was the act of Japanese hands, not a Chinese outrage as the Japanese assert. Great Britain was in the throes of a political and financial crisis; the United States were tasting the bitter fruits of adversity; Russia was engrossed in her Five Year Plan. It was as obvious that none of the three Great Powers principally concerned was willing to intervene as it was that Japan was ready to play for the highest stakes. Manchuria, she declared, as she had declared of Corea a generation before, was to her a matter of life and death; and the most disciplined nation in the world stood solidly behind its rulers in the hour of decision. In Mr. Sherwood Eddy's little book, *The Danger Zone of Asia*, you will find

a vivid account by an American eye-witness of the seizure of Mukden and the occupation of Manchuria; and in *The Capital Question of China*, by Mr. Lionel Curtis, you may learn something of the political and economic background of the latest phase of the secular Sino-Japanese conflict.

Japan shot her bolt at the moment that the twelfth Assembly was in session. On more than one occasion the League had intervened between minor Powers, and had proved itself equal to its mediatorial task; but till the autumn of 1931 it had never been confronted with the problem of a Great Power, an original member of the League and a permanent member of the Council, defying its treaty obligations and snapping its fingers at the Parliament of Man. The action of Japan raised the fundamental issue of the capacity of the League to keep the peace of the world. It was the most searching test to which it had ever been exposed, and its friends should not break their hearts because it fumbled and played for time.

In addition to the governing consideration that no State or combination of States seemed willing to risk hostilities in vindication of the authority of the League, Japan was ready with excuses and arguments which made a certain impression on the world. She denied that she was at war with China. She denied that she had ignored her obligations under the Covenant, the Nine Power Pact, and the Kellogg Pact, which, she declared, were binding on their signatories only in relation to organized States. Since China was clearly unable to maintain order in Manchuria, she added, it was in the common interest both of Japan and of the inhabitants of that vast and fertile province that anarchism and banditry should be suppressed with a firm hand. In occupying the country and supporting an independent Government under

the nominal presidency of the ex-Emperor of China, Japan was meeting the wishes of the people and serving the interests of the world.

Any lasting effect which these arguments might have produced was dissipated by her action at Shanghai in the course of the winter. It was easy enough to understand her policy in Manchuria; but it was difficult to discover valid reasons for her action in the international capital of the Far East, where European and American eye-witnesses could report on the merits of the conflict and the paralysis of trade. That the unsleeping hostility of the Chinese had found expression in provocative acts is undeniable. But were they of such a character as to justify the bombardment of crowded native quarters from the land, the sea, and the air, and were such measures best suited to terminate the provocations of which complaint was made? For several weeks hostilities raged fiercely on the Shanghai front, and the Chinese displayed unexpected courage and skill. Since war had not been officially declared, and since Japan affirmed that she had merely defended the lives and interests of her nationals against attack, it at last became possible, through the mediation of the Powers, to secure a cessation of hostilities and the withdrawal of the Japanese troops. To this day opinions differ as to the cause of the struggle. Was it a mere smoke-screen, designed to distract attention from the serious business afoot in Manchuria? Or was it the result of a *crise de nerfs* on the part of some explosive Japanese officers? Whether it just happened or whether it was maturely designed, it provoked consternation throughout the world and disposed observers to adopt a less sympathetic interpretation of Japanese policy in the north.

Looking back on the crisis in its double aspect of the

attack on Shanghai and the occupation of Manchuria, I think we may fairly complain of the timidity and short-sightedness of the League. The application of military or economic sanctions was impossible, for the League possesses no executive force of its own, and not one of its members was ready for a policy of risks. Surely, however, it was its duty to despatch a mission of enquiry at the very outset of the trouble, instead of waiting for months. Had Lord Lytton and his colleagues left for the Far East in the autumn of 1931 instead of in January, 1932, it is arguable that the fierce battles of Shanghai might never have occurred; for the paralysis of the League must have confirmed the belief that Japan could act with impunity. And, secondly, may we not express our regret that it failed at the very beginning of the crisis to declare for non-recognition of any changes effected in defiance of treaty obligations?

The action of Japan during 1931–2 has raised issues directly or indirectly affecting every country in the world. The first act ended with the occupation of Manchuria and the recognition by Japan of her puppet Government. The second act will commence with the publication of the Lytton Report. No one can forecast the action which the League, in co-operation with the United States, will take after digesting the Report, or how Japan will react to any advice. Her flaming patriotism will pull in one direction, her financial fragility in another. She may decide to withdraw from the League, and confront the perils of moral isolation which such a course would involve. She may, on the other hand, ultimately accept a compromise based on the assumption of collective responsibility for abating the anarchy of which she complains. Whether the League emerges stronger or weaker from the most testing ordeal of its career, no one

can exaggerate the importance in world history of the Sino-Japanese dispute

ii. *India and Siam.*

In India 1931–2 proved as disappointing as 1930–1 had been full of promise. The Second Round Table Conference lacked the buoyancy of the first, and the presence of Mr. Gandhi, as the representative of Congress, contributed nothing to an agreed settlement of the two outstanding problems which clamoured for solution before the promised Constitution could be drawn up, namely, the distribution of seats and the elaboration of safeguards. Mr. Gandhi returned home in fighting mood, his request for an interview with the Viceroy was declined, and he and other Congress leaders were clapped into gaol. The Government of India, backed by the Cabinet in Whitehall, proceeded to rule the country by Ordinances, while pressing on with its plans for constitutional advance. Three commissions visited the country in the spring of 1932 to make recommendations on the franchise, finance, and the Native States.

The Moderates, led by Sir Tej Sapru and Mr. Sastri, who had played a most useful constructive part in the Round Table Conferences, announced in the early summer that they had lost faith in the Government. Though no admirers of the doctrinaire extravagances of the Congress party, they believed that the regime of coercion went beyond the requirements of the situation, and ceased for a time to co-operate with the executive. In August, 1932, the British Cabinet announced its decision on the Communal issue, intimating at the same time its readiness to substitute an agreed scheme if such were to be reached before the Government measure was presented to Parliament. The Communal award, as

was to be expected, satisfied neither Hindus nor Mohammedans; for religious differences cut deeper than political, and compromise is a virtue which we can hardly expect to find in a country without experience in self-government. The determination of the majority of the British people to implement its promises of provincial autonomy and democratization of the central government remains unchanged; but at no time since the publication of the Simon Report has the gulf between rulers and ruled been so wide as since the close of the Second Round Table Conference. The inauguration of a far greater experiment than the Morley–Minto or the Montagu–Chelmsford reforms, a most formidable undertaking even in the most favourable circumstances, seems likely to be complicated by a sullen boycott. The first duty of every Government is to govern, but it is useless to make a solitude and call it peace. If the new Constitution is to float on the troubled waters of Indian discontent, fresh efforts will have to be made in the spirit of the Irwin–Gandhi pact. Rally the Moderates, Lord Morley used to declare; for without their counsel and confidence no Constitution, new or old, can be made to work. Before leaving Asia we may note the bloodless disappearance of dynastic autocracy in Siam.

iii. *The United States.*

In the United States no year since the termination of the war has been so eventful as 1931–2. The economic crisis which in 1929 fell like a thunderbolt on the richest community in the world increased in range and intensity till the whole Continent lay numbed in the grip of unprecedented distress. The number of unemployed rose to ten millions or more, and the budgetary deficit recalled the astronomical

figures of the war. The profound political and psychological reactions of the economic blizzard are already becoming apparent. Isolationism is waning with the proud self-sufficiency which gave it birth; relations with Europe are becoming ever closer; and the community of interests with the rest of the world is better understood.

The economic plight of Germany in June, 1931, evoked the proclamation of the Hoover holiday, and the failure of the holiday year to raise the patient from his bed of sickness compelled American statesmen to look deeper and to seek for the political causes of economic distress. The changing mind of the new America has been revealed in a series of pronouncements of historic significance. The full implications of the Hoover holiday became clear when the continued fall of the barometer indicated that the payment of reparations would never be renewed, and that their cessation involved the scaling down if not the cancellation of inter-Allied debts. A second contribution towards lightening the burdens of Europe was made when, at the lowest ebb of the fortunes of the Disarmament Conference, Mr. Gibson announced the desire of Washington for an all-round cut of one-third. And finally the struggle in the Far East has moved Mr. Stimson to two utterances which will take their place among the governing declarations of American policy. In his weighty letter to Senator Borah of 24 February, 1932, he declared in the plainest terms that the United States would decline to recognize any changes brought about in violation of treaty obligations. And in his impressive address to the Foreign Policy Association in Washington at the beginning of August, 1932, he announced that the Pact of Paris involved consultation between its signatories in the event of its terms seeming likely to be infringed. That four years should

have passed since the signing of the Pact before this authoritative interpretation was placed upon it by the Secretary of State with nation-wide approval bears eloquent witness to the pace at which opinion has moved under the impact of the economic tornado. The United States, like the Old World, have been suffering, thinking, learning.

iv. *North-East Europe.*

Crossing the Atlantic to our own distracted Continent we may divide Europe for the purposes of our brief survey into four zones—the North-East, the Balkans, the Danubian lands, and the West. In the former there is little to record of Russia, where the Five Year Plan of large-scale economic development has been pushed forward with the usual ruthless energy, and the experts are busy with grandiose plans for the next quinquennium. While the rulers of Russia are putting every ounce of mind and muscle into the exploitation of the resources of their enormous territory on the basis of scientific collectivization, their foreign policy merely marks time. At what date the Russian bear will again begin to take a hand in the diplomatic game nobody can foretell; but we may be sure, since a decade is nothing in the life of a nation, that it is only a temporary lull. Poland, on the other hand, remains in the centre of the stage, and neither friend nor foe envies her present situation. The veiled dictatorship of Pilsudski makes a mockery of her democratic Constitution. The maltreatment of racial minorities, above all of the Ruthenes in Eastern Galicia, is peculiarly distressing in view of her own past sufferings at the hands of the partitioning Powers. And finally her relations with Germany exhibit no real sign of improvement. Danzig and the Corridor rankle in the heart of every Ger-

man, whatever his party or his creed. The port of Gdynia grows apace, a challenge as well as an achievement; and the resurgence of German nationalism under the banner of Hitler intensifies the risk that volcanic forces may eventually burst their bonds. The new Europe is at least as full of danger-spots and powder-barrels as the old; but perhaps the most explosive locality is to be found on the Polish-German frontier. At no time have the Teuton and the Slav loved each other less than to-day.

v. *The Balkans.*

We should be surprised if the political observer were able to report All quiet on the Balkan front; yet there have been fewer excursions and alarums in 1931–2 than in most of the years of tribulation that followed the war. In Roumania King Carol, after an *intermezzo* of personal rule thinly veiled behind the rampart of his old tutor, Professor Jorga, has reverted to constitutional practices, and the National Peasant Party is once again at the helm. In Greece the glamour of Venezelos is beginning to fade, for the country which he has ruled with amazing energy has been sucked into the economic vortex. Bulgaria has experienced the most uneventful period of her post-war history. Jugoslavia, on the other hand, has illustrated afresh the axiom that dictatorships are easier to establish than to liquidate. When King Alexander attempted to feel his way back towards constitutionalism, he was ill-advised enough to grant a sham Constitution which was worse than naked autocracy itself. In a country where freedom has ceased to exist, where espionage is universal, and where critics of the Government go in fear of their lives, it is difficult to be sure what is going on. We know at any rate that it is seething with

discontent; and that Jugoslavia is to-day the chief danger-spot of the Balkans is the report of every visitor to that distracted land. In Albania King Zogu continues his efforts to modernize his backward little State with the support and sympathy of his patrons in Rome. If Turkey is still to be classified as a Balkan Power, on the strength of her retention of Constantinople and Eastern Thrace, we may note that she has at last become a member of the League of Nations.

vi. *The Danubian Lands.*

The third zone which claims our attention is that of the Succession or Danubian States, Austria, Hungary, and Czechoslovakia, the *disjecta membra* of the mighty Hapsburg Empire. Austria, the smallest of the three, has suffered most, for she is overweighted with her splendid capital, unable to feed herself, and handicapped in the sale of her manufactures by the tariff walls of her neighbours. The period of convalescence inaugurated by the first League loan of 1923 was brief, and the collapse of the Credit-Anstalt in the early summer of 1931 reduced the finances to chaos. To avoid a total collapse a new League loan of 8½ millions was granted in August, 1932, coupled with the condition that for twenty years no economic union with Germany should be made. The condition was bitterly resented by the Austrian Parliament, but there was no effective choice. To pile up the debt of an insolvent debtor merely postpones the evil day, and the new loan will be worse than useless if the breathing-space is not employed in dealing with the plight of the Danubian States as a whole. By a curious coincidence Austria lost her two leading statesmen, Seipel and Schober, within a few days of one another in August, 1932.

Hungary has been tightening her belt under the un-

obtrusive but uninspiring leadership of Julius Karolyi. Bethlen's decade of rule was on the whole an impressive achievement, but his resignation in the summer of 1931 bequeathed a financial situation to his successor which without assistance it proved impossible to retrieve. Hungary, unlike Austria, can feed her population; but the low prices of agricultural produce all over the world have hit her hard. Czechoslovakia, with her larger and more varied resources, has suffered least of the three; but she has become increasingly conscious of her community of interest with her neighbours. So threatening did the outlook on the middle Danube appear in the spring of 1932 that a special conference was held in London to frame plans for its rescue. The political rivalries of the Great Powers, however, prevented not only the discussion of practical measures but even agreement as to the States by whom a scheme should be worked out. The thorny problem was postponed till the Lausanne Conference, which set in motion inquiries designed for the assistance of the World Economic Conference summoned for the autumn of 1932. Meanwhile the situation grows steadily worse, and the lamentable consequences of the destruction of the economic unity of the Danubian peoples grow ever more apparent.

vii. *Western Europe.*

Passing to the fourth and last of our European zones, which includes Great Britain and France, Germany and Italy, let us first survey the domestic events of the last twelve months, and then proceed to notice their diplomatic contacts. No year since the war has brought such crowding and memorable experiences to England as that which began with the financial crisis of August, 1931. The resignation of the

Labour Government, which confessed its inability to grapple with the situation; the formation of a National Government; the desperate but unavailing efforts to save the gold standard by advances from France and the United States; the supplementary budget of September, which stopped the leak by drastic economies and heavy additional taxation; the overwhelming victory of the Government in the General Election of November; the introduction of Protection; the successful conversion of nearly one-third of the National Debt from 5 to 3½ per cent; the Ottawa Conference for the fostering of inter-Imperial trade: here is a *scenario* with thrills enough to stimulate the most jaded appetite. The action of Mr. MacDonald in becoming the head of a Coalition Government, the abandonment of Free Trade, and the 'agreement to differ' which enabled the dissentient Ministers to retain their places in a predominantly Protectionist Cabinet, produced the liveliest discussions, resulting in the severance of a good many personal and party ties. But that the financial position of Great Britain is immeasurably stronger in August, 1932, than in August, 1931, is the opinion not only of British citizens but of the foreign investor. A financial crisis in Australia of equal intensity was met in much the same way as at home by a General Election and the formation of a Coalition Government.

While in Great Britain and Australia the electoral pendulum swung to the right, in Ireland it moved to the left, Mr. Cosgrave, after a decade of creditable work, yielding place to Mr. de Valera. That the Republican chief had learned nothing and forgotten nothing was promptly revealed by his introduction of a Bill to abolish the Oath of Allegiance, and by ceasing to pay the interest on the capital provided by British investors to facilitate the transformation of the

Irish tenant into a peasant proprietor. The Oath Bill was held up by the veto of the Senate; but as the two Governments failed to agree on the nature of an arbitral tribunal, the discontinuance of the land annuities was answered by a prohibitive tariff against Irish exports to Great Britain, which provoked a corresponding retaliation. The British public was not wholly unprepared for his pranks, and it instinctively resolved that in whatever way the latest phase of the Irish problem might be solved it should in no case be achieved by the arbitrament of blood.

While Great Britain lurched heavily to the right in November, 1931, France steered less decisively to the left in the General Election of May, 1932. The Tardieu–Laval majority, inheriting the intransigence of the Clemenceau–Poincaré era, melted away, and the Radical Socialists returned to Paris as the largest party in the Chamber. The situation of 1924 was renewed, for once again M. Herriot took the helm and immediately gave a sharp turn to the course of the ship. The Radicals and Socialists had helped each other in the second ballots to secure the defeat of the Right, and it was widely hoped that the two parties might co-operate in office. The terms of the Socialist leader, however, were too stiff for the majority of the Radicals, who, like most Frenchmen, are sturdy individualists; and M. Herriot was compelled to shoulder his burden without an assured majority at his back. While urgent duties demanded his presence at Geneva and Lausanne, the financial situation of the country grew steadily worse. Trade rapidly diminished, unemployment became acute for the first time, the tourist traffic waned with the fall of the English pound, and the budgetary deficit mounted apace. The first Herriot Ministry of 1924–5, successful though it was in the sphere

of foreign affairs, came to grief on finance; and good Europeans must hope that history will not repeat itself. For since the death of Briand there is no French statesman of the first rank who tries so bravely to 'speak European' and to look beyond the frontiers of his native land.

No country in Western Europe has passed through such agitating experiences in 1931–2 as Germany. When called to office in 1930 Dr. Brüning was almost unknown; but his two years at the helm won him the steadily increasing respect and admiration of the world. It was generally agreed that he was the first statesman of commanding stature since Stresemann and the best Chancellor since Bismarck. Though backed by a slender majority in the Reichstag, he found strength and encouragement in the massive personality of Hindenburg. Indeed, three men alone—the President, the Chancellor, and Braun, the Socialist Premier of Prussia—seemed to hold political and economic anarchy at bay, as the blizzard raged ever louder and the raucous voice of Hitler was heard bellowing above the storm. With the aid of Article 48 of the Weimar Constitution, entrusting the President with special powers in times of emergency, Brüning governed the country by Presidential decrees which the Reichstag was summoned at intervals to approve—a dangerous precedent if the helm should be seized by less skilful and less unselfish mariners.

In the spring of 1932 Hindenburg's seven years were up, and despite his eighty-four years he was persuaded to offer himself for re-election. The Chancellor threw himself vigorously into the fray, and the old Marshal headed the poll with a substantial majority over Hitler. The Nazi movement, however, increased its numbers on every occasion that the electors were consulted. Its success in the Prussian

elections, which occurred soon after the race for the Presidency, deprived the Socialist-Catholic coalition which had governed Prussia for a decade of its majority. Shortly after these two events the President electrified the world by dismissing Brüning and entrusting power to the extreme Right, with von Papen, an ex-officer, as Chancellor, and General von Schleicher as Minister of Defence. No authoritative explanation of his action has been offered; but he is believed to have interpreted the recent elections as a mandate for a Government which leaned to the Right, and which, he hoped, might secure the co-operation or at any rate the confidence of Hitler, who had pursued Brüning with shrill and angry cries.

The miniature *coup d'état* was quickly followed by the eviction of the Braun Ministry and the appointment of a Commissioner, responsible to the Chancellor, to govern Prussia. Unable to count on 10 per cent of the Reichstag of 1930, the new Government fixed a new election for 31 July. Though the Nazis increased their strength from 107 to 230 they were far short of a majority in a Chamber of 600 members, even with the aid of the 37 Hugenberg Nationalists; and when Hitler demanded the same power which Mussolini enjoyed after the March on Rome, he was rebuffed by the President. The storm grew ever wilder, and the Papen Government, unsupported by the Reichstag or by public opinion, proved less able to prevent political murder and outrage than Brüning and Braun, whose methods they had ignorantly condemned. When the new Reichstag met at the end of August it was adjourned after a single sitting, with a threat of dissolution held over its head should it prove, in the opinion of the Government, unworkable. For the last three months Germany has been governed by

the President. The revision of the Weimar Constitution is in sight.

While Great Britain, France, and Germany have changed their rulers in 1931–2, Italy has remained under the Fascist yoke. On the conclusion of the Lausanne Conference the Duce startled the world by dismissing five of his colleagues, among them Grandi, who had won golden opinions as Foreign Minister, and who was transferred to the Embassy in London. The change of men, however, possesses no political significance, for the will of the Dictator has prevailed in Italy since 1922. What Italian citizens think and wish we do not know, for they are not allowed to say.

To complete our bird's-eye view of the West we may note that the path of the Spanish Republic has been far from smooth, and that Holland, Belgium, and Luxemburg have agreed on a mutual reduction of their tariffs by 50 per cent within five years by a succession of 10 per cent cuts.

viii. *Debts and Disarmament.*

The diplomatic contacts of the four Great Powers of Western Europe during 1931–2 centred round the Lake of Geneva. The Conference on Reparations, which was expected to meet at Lausanne at the opening of 1932, only assembled in June; but for once the delay was of advantage, for it enabled France, the country chiefly concerned, to be represented by M. Herriot. The expert report of the Basel Bank at the end of 1931 had knocked the bottom out of the Young Plan; and when Germany met her creditors at Lausanne six months later, her financial situation spoke more eloquently for the lightening of her burdens than the words of her official spokesmen. The British Government had already announced its preference for total cancellation

of reparations; but France, with her lien on a far larger percentage of the tribute, was not yet in the mood for such a sacrifice. The task of the statesmen at Lausanne was therefore to agree on a moderate sum which Germany might one day be able to pay, and which the French Premier might display to the Chamber as a proof that he had not returned with empty hands.

After two or three weeks of arduous discussions, in which the British Premier, as President of the Conference, played a most helpful part, it was agreed that reparations as such should cease; that Germany should make no payments whatever for three years; that at the end of that period the Basel Bank should determine whether 150 millions of German bonds or any lesser figure could be marketed without damage to Germany or the world; and that this money should be used, not as tribute to a victorious foe, but for purposes of European reconstruction. It was an admirable settlement so far as it went, and M. Herriot, with the warm humanity which makes him a good European, celebrated its signature by kissing the first French and German typists that he met. But it was clearly understood on both sides that the agreement was subject to a satisfactory arrangement between the Allies in the World War and their American creditors, and the signatories announced that they would not submit the Lausanne agreement to their respective Parliaments until such a settlement had been achieved. Thus it was the promise of spring rather than spring itself, and the scene of the next act in the reparations drama will be Washington. That the American mind is travelling in the direction of revision was indicated in a recent speech of Senator Borah, Chairman of the Foreign Affairs Committee of the Senate and the most influential figure in the Republican party in

the United States. In connecting the reduction of debts with the diminution of armaments American opinion is well within its rights.

On the morrow of Lausanne it was announced that Great Britain and France had signed what is generally called a Confidence or Consultative Pact, which other Powers were at liberty and indeed were invited to join. The British and French negotiators, it appears, had been so pleased with one another, and so satisfied with the results of their friendly discussions, that they desired to perpetuate the spirit by a formal declaration of their intentions. They agreed in effect to play the game with each other and to act as high-minded statesmen are always supposed to behave. So vague were the formulas that hidden meanings were suggested by suspicious minds, for instance that the Anglo-French Entente was to be revived or that a common bargaining front was to be formed against the United States. Whatever significance might have attached to it had it remained a purely Anglo-French obligation was removed when other European Powers, including Germany, Italy, and Poland, came trooping in. If it aids the statesmen of Europe to pursue a policy of open and honourable co-operation in the colossal tasks which confront them, the Consultative Pact will have justified its existence. But I find it difficult to believe that such Platonic declarations will make much difference in the daily round of diplomacy.

While a patch of blue sky opened up at one end of the Lake of Geneva, dark clouds brooded over the lengthy deliberations of the Disarmament Conference in the city of Calvin and Rousseau. Elaborate discussions extending over a series of years had prepared the way for the Conference which, though held in the citadel of the League, was to

embrace both Russia and the United States. It had been universally recognized that an enterprise of such magnitude ought not to be launched till there was a reasonable chance of its success, since failure would be even more dangerous than delay. It could not, however, be indefinitely postponed, and it was agreed in 1931 that it should open at an early date in 1932 under the presidency of Mr. Henderson, whose zeal for the good cause was acknowledged on all hands.

The Conference opened on 2 February under the worst possible auspices, for the Japanese were on the warpath and the Far East was aflame. The opening speeches, however, were pitched in a confident key, and the preliminary flourish of trumpets nourished the illusion that effective work was about to be performed. The second phase began when qualitative disarmament was discussed. The experts swarmed on to the stage, and precious weeks were wasted in hair-splitting disputes as to the definition of offensive and defensive weapons. Plain men in England and elsewhere looked on with growing anger and disgust at the timidities, the trivialities and the insincerities of the performers, and as spring melted into summer it seemed as if history would have to record that the Conference had been nothing but a sorry farce. At this stage, when hopes were at their lowest ebb, the third act of the drama was opened by Mr. Gibson, the head of the American delegation, who on 22 June announced the desire of the President that an all-round cut in armaments to the extent of one-third should be made. For a few days it seemed as if the tide had turned and as if substantial progress might after all be achieved. But the breeze of optimism fell almost as quickly as it had arisen. Italy, it is true, who had played a consistently helpful part throughout the Conference, welcomed the Hoover initiative without

reserve; but Japan refused to discuss it, France more politely rejected its sweeping demands in the absence of some further measure of covenanted security, and Great Britain damned it with faint praise. A week after the trumpet had sounded from the battlements of the White House its echoes had almost died away, and the weary Conference entered its fourth phase.

Not a single concrete step towards disarmament had been taken at the end of July, when the delegates separated for the holidays. The scanty harvest of the activities of sixty States over a period of six months was gathered into the omnibus Resolution or interim report, against which Germany and Russia voted and which Italy declined to support. No agreement large or small has been reached in regard to the naval arm. Bombardment from the air and air attacks on civilian populations are to be prohibited, though the rules have yet to be framed, and military aircraft are to be limited in number and size. The calibre of land guns and the tonnage of tanks are to be limited, though the maxima are not yet fixed. Chemical and bacteriological warfare are to be ruled out, and a Permanent Disarmament Commission is to be established. How much value can be attached to agreements for the humanization of war we all learned to our cost in 1914–18.

Looking back over the first stages of the Conference we must confess that despite six years of intensive preparation it was held too soon, since several of the leading Powers have evinced no desire for a substantial reduction of their armaments. In the second place, leadership which made the Washington Conference of 1921–2 a success from the first was conspicuously lacking. For years the League of Nations Unions in many lands had been campaigning for a

25 per cent cut and a general prohibition of the particular forms of armament which the victorious Allies had imposed upon their foes. The adoption of some such programme, combining quantitative and qualitative disarmament, would have prevented the bitter Geneva jest that arms were offensive or defensive according to the flag they flew. A third difficulty was the French contention that reduction of the armed strength of a nation must be made good by a force at the disposal of the League; and though M. Tardieu's elaborate scheme was hustled off the stage, its principle coloured the attitude of his successor. That Russia and Germany demanded drastic reductions was more a hindrance than a help, since a relative increase in their strength was not at all to the taste of their late enemies. The most fundamental issue of the Conference, Germany's claim to equality of status, was shirked, and a month after its close the German Government opened negotiations with Paris on this vital issue. Great Britain and the United States cling to their enormous ships, France to her decisive superiority on land. Whether when the Conference reassembles early in 1933 it will display more courage and achieve some measure of success, remains to be seen. In any case it can do no less and no worse.

ix. *Conclusion.*

As we sweep the horizon with our telescope at the close of the eventful year 1931–2 three features stand out in bold relief. In the first place the whole range of politics, domestic and foreign, is dominated by economic problems and tormented by economic distress. Secondly we observe the League of Nations, weak but increasingly indispensable, a ship freighted with precious cargo battling its way through

mountainous seas. And finally we realize that a community of suffering is developing the instinct of co-operation and fortifying the sentiment of interdependence. As the League was the child of the war, the only less terrible experience of the economic blizzard seems likely to produce a further advance towards the rationalization of our corporate life. Civilization is organization. Twentieth-century man is not the sport and plaything of ineluctable fate. He has overcome innumerable obstacles in his arduous ascent, and there is no obvious reason why he should not emerge from the thicket of the present discontents. We are at last aware of the road which leads forward to salvation; and it is among the paramount duties of good citizenship in this dark hour not only to toil unceasingly and unselfishly but to keep alive the flame of hope and courage in our hearts.

CHAPTER II

THE WORLD ECONOMIC CRISIS: ITS CAUSES AND CURE

by

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I HAVE to deal with a very serious subject. It is quite true that there has already been a change of mentality in certain directions. Dr. Gooch has referred to the step forward that Lausanne indicated. Until now we have been asking Germany to pay something like 100 million pounds a year in reparations and we are now letting her off with a final sum of 150 million pounds payable in bonds; and unless the bonds can be sold she will not have to pay anything at all. That indicates a very great change of mentality.

i. *The Necessity of Action.*

Nevertheless I regret to say that the change of mentality is not sufficient. There are aspirations, there are hopes, but *there are no actions.* It is quite true that Mr. Hoover last year proclaimed a holiday of one year for war debts, but if he had not done so the money could not have been paid! Indeed, the holiday was probably given in the hope that with the holiday the knowledge that the payment could not be made would have less influence upon a very dangerous situation. For the moment, the holiday gave new hope that the steps necessary to take the world out of its difficulties would be taken one after another. The announcement of

the holiday was followed by the Lausanne Conference; but again, the decisions come to at Lausanne do not amount to anything in actual fact. The truth is, Germany cannot pay reparations and is not going to pay reparations, and if we say 'She is going to pay only 150 million pounds' it does not alter the situation—she cannot pay. But not only that. Germany to-day is not in a position either to pay reparations or to pay private debts.

It is necessary to have something more than 'hope' and 'aspiration' in dealing with financial matters. And at this moment the statesmen in deeds, not in words, are making the situation desperately grave. Let me call your attention to the latest news contained this morning in the *Journal de Genève*. The *Journal de Genève* states that "the Japanese Government has protested to the Government of India against the high tariffs that India has imposed on Japanese goods and that unless these tariffs are modified, Japan will boycott Indian raw cotton. That will mean that Japan will buy something like 1,500,000 tons of cotton in the course of the year—something like 7,000,000 bales—elsewhere." India raises a tariff; Japan replies by some act that will hurt India.

Here is another piece of information, contained in to-day's *Daily Mail*—and I want you to realize how serious the situation is. The news comes that Ottawa is considering the question of preference on wheat, and the news comes from the Chicago market that Great Britain will give a preference to Canadian wheat of 3 cents a bushel; moreover, that is expected to be attended by British duties on meat—mutton, etc.—from the rest of the world other than the British Dominions.

ii. *Economic Crises in the Past.*

Now let me come to a statement of the case. How grave is this crisis? Is it graver than the crises that we have had in former times? During the last century there have been a number of crises. There was a crisis after the Napoleonic War—a severe crisis. Those of you who have opportunities for analysing the present situation and making comparisons with that situation that existed after the Napoleonic War will at once realize that the crisis after that war was 'a baby' to this one. In the first place, the condition of the world after the Napoleonic Wars was one in which every nation was almost completely self-contained. It was before railways were built, before steamboats were in operation, when the amount of international trade was very small and of national trade too; when even districts had to be self-contained. And the influence of the crisis that followed after that Napoleonic Wars was comparatively small in its effect on the well-being of the whole world—extraordinarily small.

You come to later crises, to the crisis in 1873 after the Franco-Prussian War, which was known as 'the Vienna Krach'. During the Franco-Prussian War a great deal of money was spent and after that war France had to pay a sum for reparations of 200 million sterling in three years. Those payments gave Germany the power for two years to spend 100 million pounds more than she was accustomed to spend, and created great trade activity throughout Europe, indeed throughout the world. That activity continued throughout 1871 and 1872. In 1873, however, the payments came to an end. Germany's buying power was greatly reduced, world trade contracted, and there was a crash.

The next greatest crisis was that of 1890, known as 'the Baring crisis'. It arose because in the latter '80's Great Britain and the Continent had been supplying very considerable sums of capital to South America, the United States, Canada, Australia, and the new countries in general. Then came revolutions in Argentina and Brazil. Barings had bought some 30 millions sterling of South American Government securities but could not place them. They provided the money by drawing finance bills on themselves, discounting them in the London market and then finding they could not meet them. The Bank of England formed a guarantee fund and saw the Barings through. They came out with six millions sterling to their credit. Nevertheless, confidence was shaken throughout the world and one could not issue any securities. Because the world's buying power was reduced by something like 200 million pounds a year through inability to place capital issues there was a crisis which lasted till 1897. It was a very severe crisis. Nearly half the railways of America went into bankruptcy. Three-fourths of the banks of Australia failed; there was trouble in all parts of the world, and the new countries specially suffered.

iii. *The Situation To-day.*

But how do those crises compare with *this* crisis? Look round the world to-day and discover how much money is lacking. Up to 1929 the world was relatively prosperous. Why? Because America in particular was supplying vast amounts of capital and banking credit both for home and foreign purposes. These amounts were far greater than at any time in the world's history except in time of war. From 1924 to 1929 the American banks gave new credit to their

customers of, roughly speaking, 600 million pounds a year Then it became obvious that the world, including America, was over-borrowed. Everybody was out of his depth. During the war, America lent Europe altogether nearly 3,000 millions sterling. In the first place she bought back from Europe her own securities that were previously held here—and at the same time made considerable loans to Europe, then she lent through the American Government 2,000 million pounds to the Allied Powers and in the period after the war from 1918 to 1928 she lent over 2,000 millions sterling to the world, altogether over 5,000 million pounds—and it was those credits that kept the world going in the war and after the war. How could the Allies have lived during the war but for American credits? It would have been physically impossible to carry it on without them —the Allies would have starved but for those great credits. And after the war how could Europe have recovered but for the great sums lent to her by America?

We in England realize our indebtedness to the American people for their action during the war and in the years after the war for those great credits that they supplied to the Allied Powers and to all the world until 1928. The world would have been in a sorry plight but for those credits and it would have been physically impossible to restore Europe. How could Europe buy when its productive power was largely destroyed by the war? It was American credit that restored Europe, kept prices at a relatively high level and enabled the European countries to buy what they needed to buy not only in America but in all parts of the world.

In 1873 the crisis arose from the disappearance of something like 100 million pounds per annum of extra buying power when the French Reparation payments came to an end.

In 1890 the crisis resulted from a contraction of approximately 200 million pounds per annum of buying power due to the inability of foreign nations to maintain their power to borrow from Europe and especially from Great Britain. The crisis which commenced in 1929 is due to the inability of the nations to continue to increase buying power not by hundreds but by thousands of millions through credit operations. In the period up to 1929 world buying power was maintained at an immensely high level by the ability of the world's bankers, and more particularly American bankers, to supply additional bank credit at the rate of hundreds of millions a year; in America alone the increase was nearly £600 millions per annum. At the same time American investors were supplying fabulous amounts of new capital. In a single twelve months the new issues of capital in New York were no less than £2,000 millions. Then came the turn. Everyone realized that the world, and more especially America, were over-borrowed. That the amount of both banking and investment credit was more than could be honoured. Hence, instead of credit expansion there was an effort to withdraw credit. Indeed, in 1930 something like £1,000 millions of credit were called in. In 1931 another £1,000 millions were called in. The result has been an immense contraction of buying power and a catastrophic fall in commodity prices. It is true that recently there has been some recovery in the price of wheat, due in the main to the smallness of the Russian crop this year, and in the price of cotton, due to a very small American cotton crop. But taking this into account, prices are appallingly low. What is the consequence? People in all parts of the world are unable to meet their liabilities. Money has been called from them and it cannot be paid. Most nations have

had to control their foreign exchanges. Why? Because American bankers and other bankers too have been trying to withdraw the money they had lent to these countries and it is physically impossible for the debtors to pay. How can people pay if they cannot sell their produce in sufficient quantities and at reasonable prices? One of the most difficult cases is that of Chile, which produces a great quantity of nitrate, the market for which lies with farmers more particularly of America and of the New World. In Europe to-day nitrate is synthetic on the whole. But how can the farmers buy when the prices they obtain are barely enough to give them a livelihood throughout the year, when the price of wheat is down in the Chicago market to about 50 cents? It is physically impossible. Then how can Chile pay her debts?

This crisis is undoubtedly by far the most severe that the world has ever seen and I would add, far the most dangerous. The reason why it is so dangerous is that the nations in these days depend in very large measure for their welfare—even for their daily bread—on international trade. Go to any nation in the world to-day and enquire about the state of trade. The depression is universal—every country is suffering. The last country to feel it was France. But go to Paris and ask if there is trade depression in France: ask the hotel-keepers and the shopkeepers of Paris; go to Lyons and ask how much silk is being sold. You will discover that the bottom has fallen out of the trade of France. In three years her exports have fallen from a level of £400 millions at gold par to £160 millions gold.

And what is the result? The result in France is that the incomes of the great industries have shown immense decline. For the moment, the buying power of France is maintained

because the French people are using their reserves. But what will happen when their reserves are exhausted?

The United States remained prosperous until last year. It is true that in 1930 there was great trade depression, but it was not nearly so severe as in 1931, or as it is at the present time. What has happened there? Why is it that the bankers of America are in such dire trouble that the American Government has had to create a great Finance Corporation to help those of their bankers that need help? The answer is that the income of America is disappearing. That is not too strong a term. In 1929 the income of America was nearly 90 thousand million dollars. The present calculation is that her income is reduced to 30 thousand million dollars; those are American calculations of good authority. Her income has shrunk by two-thirds in three years. Now the value of property in any country or town is governed by the income of that country or town. If a country enjoys a large income the price of property is very high, and during 1929 the value of property in America rose to very high figures. You know to what an extraordinarily high level the value of all common stocks advanced, whether railway or industrial. You also know to what very high prices real-estate rose—in a case like Detroit, how rapidly property was advancing by reason of the prosperity of the motor industry. Now with this shrinkage in income all property has declined in value and the loans made by bankers and others against that property are difficult to collect.

It is a real misfortune for the world that America is falling into such distress. Europe is infinitely poorer, the world is poorer, because America is poorer.

American bankers during the last two or three years have

failed to the number of over 3,000. Almost every village in America has a bank—necessary to it and playing a great part in its life, and these bankers have failed at a rate that fills one with anxiety and regret.

But it is not only the farming bankers that have failed. The real-estate bankers have failed, and the bigger bankers might have been in difficulties had they not received assistance. How far is America going in the downward direction? During the war and in the years after the war all the world needed and wanted to buy American produce and was willing to pay any price for it provided the necessary payments could be made. The money was lent to them by the American people themselves. They bought on credit; America sold to Europe alone in 1919 over 1,000 millions sterling worth of produce, and bought that year 150 millions sterling worth of European goods. Why? Europe was not producing; she had been engaged in war and had nothing to pay with. There were some offsets, such as payments in connexion with the American army—but you will realize how great America's exports were as long as it was possible to give this credit. To-day the world is trying to avoid buying American produce and the amount that America is selling she has to sell at prices that do not give a reasonable living to the producers. Her cotton, copper, and wheat prices are far below the cost of production. What is the meaning of Ottawa, and the effort which Canada is making to trade with Great Britain instead of the United States?

What are these movements in Europe with a view to the economic co-operation of the Powers? Mr. Delaisi maintains that industrial Europe should buy from agricultural Europe, that agricultural Europe should buy from industrial Europe, and that Europe should not be compelled to buy

from America and other countries the food she needs. Beyond that, every nation in Europe is straining to produce agricultural produce of one kind or another in order to avoid buying American products for which they cannot pay.

I have just been to Italy and there I discovered that Signor Mussolini is engaged in a great policy of making Italy self-contained in wheat; he is draining 250,000 acres of marshland at very great expense in the neighbourhood of Rome and getting land into cultivation in all parts of Italy which one would have thought beyond his power. If America cannot sell her corn or her cotton, her copper or lead or other products, what is going to happen to the American people? But I am convinced that every effort America makes to become self-contained will add to her difficulties and tend to reduce her to a relatively poor nation.

If you could solve the American crisis, you would be a long way towards solving the world crisis. But the crisis is not only there. I have visited most of the great States of Europe during this past spring and have discovered they are in a condition of almost complete collapse. Hungary to-day is able to buy but very small quantities of foreign goods because she cannot sell her own produce at prices that bring any substantial income. She is unable to meet any of her obligations either on Government or private account. They told me in Budapest that unless action was taken promptly people would be in very great distress in the spring of next year. The income of Budapest has simply disappeared. If you can't sell your products, you can't buy, and the people who live in a great town live largely from the commissions they earn in buying and selling. When this trade disappears, their incomes disappear. The situation in Hungary is extremely serious. She has a foreign debt of

150 millions sterling at par exchange and is unable to meet even the interest upon it. The situation in Austria is equally serious. It is quite true that Austria has succeeded in inducing the nations to grant her a new loan of 9 millions sterling; that is all to the good; but unless she is allowed to sell her goods and to get payment for them, it is clear that this loan will have to be followed by another, and another, if the people of Vienna are not to die of starvation.

Go to Germany: the situation is equally grave; Germany is to-day selling a small quantity of goods, she has reduced her imports to a figure that it would be difficult for her to reduce further. She too is experiencing great difficulty not only in paying reparations but in meeting the interest on the great private debt that she has incurred. What is her position: before the war she was a great creditor nation with £1,500 millions of investments in foreign countries; to-day she is a debtor nation and owes, on private account, apart from reparations, something like 1,200 million pounds on foreign account. To-day she needs to sell nearly 150 million pounds' worth of additional goods before she can buy as much as she bought before the war. And that, too, in a world in which every country is trying to avoid buying from every other—in which the world's tariffs are so high that it is almost impossible to sell goods.

iv. *The Approach of World Bankruptcy.*

And what is the conclusion which this world survey indicates. It is this. In consequence of the policies which the world has pursued since 1914, the world is being reduced to complete bankruptcy. In less than two years the world's income has been more than cut in half.

And what are we going to do about it? What are the

causes? Why is credit shrinking? A London banker in an address recently said that the war was supposed to 'have made the world safe for democracy, but he was afraid it had 'made it unsafe for bankers'! That is true. This situation has not been brought about by the bankers; this calling of loans is not due to the bankers. The situation has been caused, first, by the war; second, by the Peace Treaties, and third, by the policies which the nations have pursued since the war. Before the war, every nation was trading with every other nation, and enjoying a relatively high degree of prosperity because all the world was prosperous. Europe was a group of creditor countries and in spite of the density of its population was able to maintain a relatively high standard of life. France and Germany together possessed something like 3,000 millions sterling of foreign securities giving them an annual income of some 150 millions sterling a year. . The war dislocated the industries of the world and destroyed Europe's foreign investments. For four and a half years Europe was unable to attend to its proper business —it was engaged in war and in destroying both life and wealth, and all the world went on expanding production outside of Europe. Even the nations of South America increased their manufacturing industries. Europe came out of the war with no foreign investments and few markets.

To-day Europe needs to sell a large quantity of goods to foreign countries in order to buy what it needs to buy and to make payment of its obligations. But it is extraordinarily difficult to sell European goods in the markets of the world, in the U.S.A., or in Canada or in South America, Australia, South Africa, India, Japan or even China. But Europe is the great market in which all the world needs to sell its surplus products—in which the surplus food of the world

needs to be sold—in which the surplus minerals of the world need to be sold. And if Europe cannot sell its goods it cannot buy, and the result is an almost complete breakdown of trade and credit. Unless steps are taken without delay, in my judgement (I say it advisedly) there will be a *complete* breakdown of trade and of credit. It is indeed a matter of great moment that this World Economic Conference should be called at the present time, but I understand there are certain nations who do not wish the question of reparations, inter-Allied debts, and tariffs to be discussed, and how is the world to get out of its present situation if the most urgent questions are not to be discussed? Nevertheless, the Conference will be of great value. I am hoping that the Secretariat of the League of Nations will present to the World Economic Conference the most scientific report that can be made upon this world situation showing the exact position in all countries. I believe that if nothing else happens, if we can get that picture before the statesmen of all countries, good must come out of the Conference.

v. *Great Britain and the Gold Standard.*

I perhaps ought to have mentioned in the course of this address a matter to which Dr. Gooch has referred—namely, the cause of Great Britain going off the gold standard.

Why did we go off the gold standard? Because certain nations believed that money left in London was unsafe, and they therefore withdrew their money. Why did they think it unsafe? Because British bankers had large sums locked up on the Continent and in various parts of the world where they could not be collected, and so the French and other bankers said, 'We will take our money home'. British bankers participated with American bankers in trying to

restore Europe. I think their action was most advisable; it was most desirable that Europe should be restored and the American, British, Dutch, and Swiss thought that by providing the credit necessary this could be assisted. The German Government informed the world last spring that it was not able to continue to pay reparations and would need a moratorium. Then the question came up as to whether the money the American, British, Dutch, and Swiss bankers had placed in Germany was safe, and it was because the French and other bankers believed it unsafe that they withdrew their money from London; you thus see the reaction of one country on another. The amount that we have in Germany is comparatively small in comparison with what America has—I think it is about 200 million pounds. The amount of British acceptances involved is 54 millions—yet the French bankers withdrew their money.

And so the reaction goes on; and it was because French and other bankers withdrew 200 million pounds from Great Britain suddenly that they pushed us off the gold standard. The position of Great Britain is as sound as that of any other country provided that we can get world trade moving. What is the position of Great Britain? Great Britain has nominally no less than 4,000 million pounds of investments in foreign and colonial countries, and, according to my own calculation, nearly 500 millions of short-term loans as well. And against that sum of nearly 4,500 million pounds, we last year owed 300 millions on short-term account. If our position was not a strong one I don't know what is strong, but no nation however strong can stand against a gale of this force unless measures are taken and taken in the right way.

vi. *The Erection of Trade Barriers.*

Let us look at the measures which the world is taking to cure this situation? First of all there is the loan to Austria —but that is not a curative measure, it is a palliative. The cure for the Austrian trouble is to enable Austria to sell her products, and unless you can get the tariffs of the world down so that Austrian goods can be sold and Austria can pay in her own goods and services for what she needs to buy you are not curing the trouble. What are the other measures the world is taking? Almost every day there is an announcement that this or that country has put its tariff higher; that is hopeless, blocking the wheels of trade, rendering bankruptcy inevitable not only internationally but nationally. Thus I am justified in stating that at present the measures that are being taken are not making the situation better—they are making it worse.

At the beginning of my address I made brief reference to the fact that after the Napoleonic War the nations were relatively isolated units more or less self-contained. In 1816 the total world trade—the total international, not national, world trade—according to the figures I have been able to get, was only about 400 million pounds—say 500 million pounds. In 1913, the international trade of the world was in the neighbourhood of 5,000 million pounds—a ten or eleven-fold expansion in the century.

As far as I am able to get the data, the world's income in 1816 was 4,000 million pounds, or about that. "In 1913 it was in the neighbourhood of 24,000 million pounds—a six-fold increase in a century. Why? Because during the whole of that century the world was engaged in removing the physical obstacles to trade. Railways were built, moun-

tains pierced, tunnels made, bridges constructed, great steamboats created. Indeed, the physical obstacles to trade practically ceased to exist. You could convey goods from one end of the world to another in a very short space of time with remarkable cheapness. That enabled all nations to expand their productions and to exchange them. Think of the effect on the United States of these developments. Think of the difference in America between the position in 1914 and the state of things in 1816 with no railways, only a canal or two and rivers. The change was really amazing —physical obstacles were obliterated. America's income was steadily and rapidly expanding—doubling every fifteen years; Great Britain's income was doubling every thirty years, and the world's income was doubling every thirty years.

Then why is there this great reaction? Because to-day the statesmen are engaged in putting up fiscal and psychological obstacles to trade. Artificial obstacles instead of physical are now blocking the channels of trade and putting the clock right back.

A great Conference was held here in Geneva in 1927—the World Economic Conference attended by the representatives of nearly every nation in the world and by a vast number of experts. That Conference made a unanimous report. That report was made with a view to preventing the great crisis that has arisen. It said: 'The world is increasing its tariffs to the injury of every nation. This upward movement must stop; the movement must be in the opposite direction.' Yet every nation, I think, has been raising its tariffs and is still doing so.

This brings us to something deeper. What is wrong with the world? The world is looking—all nations are looking—at things in the wrong way. Every nation is

trying to save itself at the expense of its fellows. A cowardly action. We pretend to be Christians and act as savages. The Christian method, the civilized method, is the method of Co-operation. If someone is in danger—help him—in distress—help him, not injure him! We are injuring every nation to save ourselves. Yes, even Great Britain is doing that to-day, to my infinite regret. We are a great creditor nation placing obstacles in the way of trade, rendering it inevitable that the nations that owe so much shall go into bankruptcy. We are helping to ruin the world. Some of the statesmen say that 'as the whole world is rushing to ruin, let us make the situation worse in order to bring the world to its senses'.

vii. *How to End the Crisis.*

The right way to end the crisis is to open up the world, to take away the barriers of trade, to get rid of these selfish policies.

Yet each nation insists upon learning from the pressure of necessity. It seems to me the nations insist upon being reduced to poverty and starvation before they will learn wisdom. Each needs to-day to say, 'What am I doing to help this appalling distress in the world? Am I making things worse or better?' Apply this test to any of the great problems that have to be solved and you see at once the contribution that the nations have to make. Do reparations make for world prosperity? The nations put their tariffs up to avoid receiving reparation goods—and you see the result. Why not say, 'We don't want you to pay, we want you to be a nation standing for peace; we will forgive you the debts'?

We in Great Britain are greatly interested in inter-Allied

debts. Are they of any value to Great Britain? Have we not just put up our tariffs, indicating that we don't want the European goods to come in? This clearly means 'forgiving the debts'. Clearly the inter-Allied debts are an obstacle to world recovery. Then let us get rid of them. And what I am saying of Great Britain I might say with greater force of America: Of what value to America are those inter-Allied debts? Are they not in no small degree responsible for this appalling collapse in her income? Is it not impossible for Europe to continue to buy her produce at reasonable prices and at the same time continue to pay these debts? People in America realize this as fully as we do—that those debts are an injury not only to Europe but to America and to the whole world. Then why not forgive them? Think what an effect it would have upon the world if the President of the United States summoned a Conference or even sent a representative to the coming Conference and said: 'Our debtors, we know you incurred these debts in fighting or as a result of that great war; we want to forget the war, to look forward to a period of peace—we don't want you to pay any more to us in respect of those inter-Allied debts.' Think of the effect on the mentality of the world of any such statement!

I wonder if I might suggest one other matter. I have been greatly interested in the recent statement by Mr. Stimson—a statesman-like and masterly document—and the question I would ask again is: Why should not America be on a Permanent Committee looking after the welfare of the nations and preserving the peace of the world? If America has got as far as Mr. Stimson's memorandum indicates, why should not she come into the League of Nations and take her place on the Council Board and in the Assembly? What

an effect it would have on world welfare, and how it would stimulate the faith of everyone in the preservation of the peace of the world!

Then you go to South America, Canada, Australia, India, China—what contributions can they make? Every one must bring its contribution. And finally, the contributions that we must bring are those that will open up the world to production, and to distribution, in greater measure. This century will be Asia's. Last century was the century of the Western nations—when they advanced in well-being in an amazing manner. This century Asia must advance. There are 900 million people waiting to be advanced. Think of the effect of lifting that great mass of people out of their present distress into well-being. America, France, Great Britain, Germany, Holland, and Switzerland must put up the capital for building great systems of railway in China, opening it up as all the other nations were opened up, and we can do the same for Russia and in a greater measure for India. You may say, 'They would produce things at a price we cannot touch'. But they would produce the things they are suited to produce, and nothing more. China would enormously increase her tea and silk production; India her jute and cotton and other things which will all be needed.

I am convinced that this great crisis could be overcome by the combined wisdom of the peoples of all countries. I am convinced that this is, as it were, the darkest hour of the old period. We are coming into a period of great good fortune. The peoples of the world will never tolerate a new war. This great world which Providence placed at the disposal of humanity as a heritage to be developed for the benefit of all mankind will now be developed as it should be developed. It contains unlimited food supplies, unlimited raw material

of all kinds. The human mind has devised unlimited powers of manufacture; there is nothing on the physical side to prevent an expansion of well-being to a level not yet even thought of. All that is needed to adjust this difficult and grave financial crisis is that there should be a change in world mentality; people (yes, individuals) and nations should say not 'How are we to get all that we can at the expense of others?' but 'What contribution can we make to the welfare of our fellows and to the world?'

CHAPTER III

THE LEAGUE IN RELATION TO THE WORLD CRISIS

by

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WHEN called upon to discuss the League of Nations in relation to the world crisis, I found it far easier to circumscribe the crisis, which I intend to consider only in its ecomomic aspects and its political background, than to determine exactly what was meant by the League of Nations.

For most visitors to Geneva, at least on a first visit, the Secretariat, the Labour Office, the Council, the Assembly, the Commissions, perhaps also the Court at The Hague, are the League. This view is assuredly superficial. Geneva is in fact hardly more the League than Washington is the United States or London the British Empire.[1]

[1] Speaking of the British Empire I must make one comment. I, as well no doubt as others, noted in the last volume of the *Problems of Peace* the violent onslaught to which I am therein subjected by my good friend Phelan.* In a lecture delivered at Glasgow at the beginning of 1930† I had committed the sin beyond all pardon of including the Dominions, and even his native Free State, in what I termed the British Empire. When I discovered, from the pen of the most pacific Irishman of my acquaintance, how abysmal was my ignorance and how unforgivable my guilt, I felt duly startled and cowed. Fortunately for my self-respect, my attention was called, a few days later, to the speeches

* *Problems of Peace*, Sixth Series, London 1932, pp. 258 et seq.

† *The British Empire as seen from Geneva*, London, R. Madley, 1931, p. 19.

When we come to realize that only the visible machinery of the League and not its whole structure is in Geneva, we may, in our efforts to define it, be led to the opposite extreme. As the United States is not Washington but all the States united in a federal union, is not the League commensurate with the nations which compose it? This also, on reflexion, I believe, would be, if not an error, at least a confusion.

When we speak of the United States as being prosperous, or poor, or mighty, or dry, or wet, we mean that the whole territory governed from Washington and its inhabitants answer one of those descriptions. But when we speak of the League of Nations as being weak, or powerful, or impecunious, or timid, we certainly do not intend thus to characterize all the nations who have adhered to the Covenant. These units enjoy a measure of independence so great that, unlike the American States, they have many characteristics which they fail to share with the League. Without as yet touching upon the dangerous ground of sovereignty, we must note a significant difference between a loose association, such as the League of Nations, and a well integrated State, such as the United States.

What, then, is the League, if it is more than its machinery but less than the sum-total of its members? For our purposes at least, I believe we may fairly define it as *the body of*

delivered at the opening meeting of what I shall now cautiously call the Commonwealth Conference at Ottawa. I noted that, in these speeches, not only Mr. Baldwin, but also all his Commonwealth colleagues of Canada, Australia, New Zealand, and South Africa, affirmed their common imperial loyalty and referred to their common pride in the British Empire. I mention this, of course, merely to show that, although bewildered by the changing intricacies of British constitutional law and parlance, I find myself in the best and most official British imperial company.

institutions and principles, of national policies and of methods of international intercourse which were set up and adopted when the nations decided to frame and to adhere to the Covenant. These institutions, principles, policies, and methods are constantly being developed by the co-operation, within the League, of the States its members.

Our problem is to consider the League of Nations so understood in the stress of the present world crisis. We are not concerned merely with the relations of the crisis and the machinery of the League, nor are we here at all concerned with the relations between the crisis and the welfare and general policy of the nations of the world. We intend to examine how the crisis has affected the League of Nations which came into being in 1920, and how that novel creation has reacted or sought to react upon the crisis.

So much for the League. Now what about the world crisis? The present world crisis, which we all have in mind and which has so completely and for economists so humiliatingly baffled all attempts at explanation, is that historical event which, since the close of 1929, has impoverished a world equipped to produce plenty and eager to enjoy it. Its main characteristics are a fall in wholesale prices, a reduction in most individual incomes, a slowing down of most industrial enterprises, a tremendous increase in unemployment, a host of bank failures, widespread monetary, political, and social disturbances, and as an international consequence, concomitant, and perhaps even cause a general raising of trade and migration barriers and a more than corresponding shrinkage of world intercourse.

This crisis is so universal in scope, so complex and many-sided in nature, and so all-pervasive in incidence, that any attempt to consider it isolated must resemble a surgical

operation. It is therefore a deliberate mutilation when we here, detaching it from its social context so to speak, examine it only with its apparently immediate international antecedents and consequences.

A study however summary of the relations between the League and the crisis naturally falls into two parts. We propose to consider first the action of the crisis on the League and then the attempted reactions of the League on the crisis. Of these two parts, the former has precedence over the latter not only because the crisis, breaking out in 1929 when the League was already ten years old, may be said chronologically to have struck the first blow, but also because its influence on the League has undoubtedly been much greater than that which the League has up to the present been able to exercise on the course of the crisis.

I. The Influence of the Crisis on the League.

When, in the autumn of 1929, the first stock exchange panic in Wall Street announced what has since proved to be the severest economic depression in modern history, the League of Nations was serenely approaching the tenth anniversary of its birth and pursuing its normal course of progress. The outlawry of war pact had just been signed at Paris and the principle of compulsory arbitration was about to receive a new impetus by the adhesion of three Great Powers. The friends of the League were, if not elated over its successes, at least satisfied with some of its achievements, notably in the economic field, and hopeful for the future.

On closing the Tenth Assembly, on 25 September, 1929, President Guerrero, of Salvador, could speak of the 'atmosphere of calm and good understanding' (*détente et concorde*)

in which it had met and of the 'extraordinary spirit of enterprise, of boldness even', which it had shown in 'launching new ideas' and 'preparing a vast programme of action'.

One of the items of this programme was the 'concerted action' 'for facilitating economic relations by all practical means and especially by reducing hindrances of trade' which the Assembly, 'impressed by the importance of taking all possible steps to carry into effect the recommendations of the World Economic Conference of 1927', had, on 3 September, 1929, recommended.

That a similar spirit of hopefulness and action pervaded the International Labour Organization is shown by the following statement by which Albert Thomas summed up his impressions in concluding the first part of his annual directorial report on 20 April, 1929:

> 'It is impossible to conclude this annual survey of the working of the Organization during the past year without feeling a certain optimism. Year by year efforts have been made to build up the administrative machinery of the Organization. It may now be said that the Organization has, so to speak, reached that stage of smooth, easy running which is a common phenomenon with good motor-cars after they have done several thousand miles. The engine is "run in". The Conference and its groups are now working according to rules which are no longer discussed, but which are frankly accepted and easily applied. The Governing Body has clearly classified and distributed the work of its Committees. The development of the technical bodies of the League has of itself made possible a clearer division of the international work which has to be done. Even the relations between the Office and the States which are not Members of the League have now attained some sort of regularity.'[1]

[1] League of Nations. *International Labour Conference, Twelfth Session. Report of the Director, First Part*, Geneva 1929, p. 45.

The long and sad story of difficulties, failures, and disappointments was, however, soon to begin. Its first incident was the unusually unsuccessful international conference concerning the treatment of foreigners and foreign undertakings, which met in Paris on 5 November, 1929. This first mishap, which cannot be said to be due to the crisis, was followed by the long and disappointing preliminary conference with a view to concerted economic action held at Geneva from 17 February to 24 March, 1930. In the difficulties encountered at this conference in framing even a very loosely worded convention and especially in the impossibility of putting it into force, we may, I believe, note the first symptom of the anaemia which international relations in general and the League in particular have contracted under the influence of the growing economic depression.

To follow chronologically and critically the course of this lingering illness from 1929 up to the present would be to tell the story of the League in most of its developments. We will be content with noting the influence of the crisis first on certain aspects of the League's administrative structure, then on some of its activities, and finally on its political vitality.

I. (*a*) *The Crisis and the Administrative Structure of the League.*

The administrative structure of the League, as that of all other political organisms, may best be studied by an analysis of its annual budget. This budget is prepared by the officials of the Secretariat, of the Labour Office, and of the Permanent Court, examined by a Supervisory Committee, discussed by the Fourth Committee of the Assembly,

and finally voted by the Assembly in full session. The expenditure thus authorized is met by contributions of the States members of the League.

Until 1931 the budget, always somewhat compressed by the Supervisory Committee and then again expanded by the supplementary appropriations voted by the Assembly, was on the whole adopted with little difficulty. The contributions in arrears, it is true, were steadily increasing, rising from 7 per cent of the total budget in 1928 to 15 per cent in 1931. But as no European State and no Great Power figured among the defaulters, there was in this circumstance no more than a mild warning. The situation in China, by far the worst offender, and in the smaller Latin-American republics was so peculiar that ominous conclusions could hardly be drawn from this increasing reluctance of an increasing number of States to carry out their financial obligations towards the League.

At the Assembly of 1931, however, the state of mind revealed by the debates of the Fourth Committee became distinctly alarming. In the report presented to the plenary Assembly on behalf of this Committee by its Swedish rapporteur, Mr. E. C. Boehman, we read:[1]

> 'The general discussion on the budget, which was particularly thorough and detailed this year, was extremely interesting. More than thirty members spoke and all except the Spanish and Lithuanian delegates advocated the reduction of the budget, laying special stress on the fact that, at a time when each State Member of the League was confronted with an extremely serious economic and financial crisis and was making every effort to reduce public

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[1] *Records of the Twelfth Ordinary Session of the Assembly. Plenary Meetings*, Geneva, 1931, Annex 9, p. 246.

expenditure, the League of Nations should adopt the same policy, the more so since the increasing amount of contributions in arrears gave rise to a certain uneasiness.'

The budget submitted was accordingly referred back to the Supervisory Committee and reduced by about 8 per cent. In spite of this reduction, the budget prepared for the year 1933, although not yet subjected to the final criticism of the Supervisory Committee and of the Fourth Committee of the Assembly, has again been reduced below the level not only of 1932, which was abnormally high on account of the expenses entailed by the Disarmament Conference, but even of 1931. Furthermore, on 9 May, 1932, the British Government submitted a memorandum to the Council, calling for an enquiry into the finances of the League and proposing economies in its organization and reduction in its personnel expenses.

The cuts made in 1931 have led to the postponement of several projected conferences, to a reduction in travelling expenses and subsistence allowances of experts and officials, to a diminution of printing and distribution of League documents, and to a lowering of those salaries which had not been fixed by contracts. The rhythm of the activities of the League has thereby been somewhat slowed down and in some cases, as in that of the control over the administration of mandated areas, its efficiency has doubtless been impaired. Should the depression continue and continue to produce the same consequences on the administrative structure of the League, the results would assuredly be serious.

This whole matter may be considered petty, as the sums involved, when compared with the financial resources of the contributing States, are infinitesimally small. At the last Assembly, Señor de Madariaga stressed this point in a par-

ticularly striking way by declaring that 5 per cent of the military expenditure of the world community, if invested at 5 per cent, would yield an income far superior to the present necessities of the League. When it is appreciated that the whole budget of the League, including the Secretariat, the Labour Office, and the Permanent Court—about 30 million Swiss francs—is appreciably less than that of the Canton of Geneva, its importance will not be over-estimated.

Were the reluctance of the national Governments and parliaments of the world to foot the modest bill annually presented to them by the League an indication of the value they attribute to international organization, their reluctance would indeed be fatal. It is not, in my opinion, to be thus interpreted. Rather is it due to the conviction, shared by many competent and friendly observers, that, especially under present conditions, the League is over-staffed and its officials generally over-paid. Doubtless many of the ablest and most devoted officials are over-worked and their ability and devotion could command at least equal remuneration in other walks of life. But the fact remains that, especially under the stress of the present crisis, no efficiently managed private concern would keep on its staff employees not a few of whom owed their appointment mainly to political considerations. And the other fact remains also, that the rate of pay, which was considered high even before an exceptionally generous pension system was introduced and before salaries were reduced in many national civil services, strikes most officials of the latter as extravagant. As the instructions for the delegations to the Assembly are prepared in the offices of the national civil services and carried out by national diplomats, many of whom have been subjected to drastic cuts in their own

salaries, it is not surprising that the cry for economy in Geneva be more and more insistently raised.

In the best interests of the League, it is therefore earnestly to be hoped that that cry be properly understood and that the League itself should not be sacrificed to its servants.

I. (*b*) *The Crisis and the Activities of the League.*

One may distinguish four types of influence exercised on the activities of the League by the world depression.

The first type, that of activities directly promoted, will be more appropriately considered in the second part of this paper as reactions of the League against the crisis. Suffice it to say that since 1930 an appreciable part of the efforts of the League itself, and almost all the efforts of the International Labour Organization, have been devoted to studying the depression and combating its effects.

The second type, that of work thrust upon the League as an indirect result of the crisis, is more difficult clearly to distinguish. There is no doubt, for instance, that if the world had been prosperous in the course of the last three years instead of being increasingly impoverished, such problems as the administration of the Saar Basin, the control over Danzig, the protection of minorities, and the supervision of the mandated areas, as well as the settlement of disputes between neighbours, would have presented themselves under different aspects.

The absence of particularly violent outbreaks of revolt in the mandated territories in the recent past may well be due to lowered economic standards among the native populations, peculiarly hard hit by the glut in tropical products. The relative quiet in Palestine to-day, on the other hand, may also

be attributed, as it is by many observers, to the surprising prosperity which that remarkable country enjoys in the midst of the general depression.

Whereas the relative political tranquillity in the Saar Basin and among most of the minorities in Eastern Europe may well be due to the prevalence of economic over political worries, it would seem that the increased German-Polish tension over Danzig, the Corridor, and Upper Silesia was, on the contrary, to be explained by the direct and indirect effect of the depression. The crisis, which has certainly enhanced the influence of the uncompromising National Socialists in Germany and strengthened the position of the equally uncompromising dictatorship in Poland, has also added to the dissatisfaction of the inhabitants of Danzig, threatened by the competition of Gdynia not only in their political hopes but also in their economic interests.

These considerations are, however, all more or less conjectural. In two outstanding cases, major political conflicts which have occupied the League had at least partly been clearly due to the crisis.

The first of these cases was that of the projected Austro-German customs union, which was examined and settled by the Council and the Permanent Court of International Justice in the course of 1931. The motives underlying the action of the German and of the Austrian Governments were doubtless political, as were political in the eyes of its opponents the dangers of their undertaking. But the economic distress from which Germany and Austria were acutely suffering and the failure of other economic remedies, such as the European Union, supplied these Governments with a pretext and an occasion which they would not have had in times of prosperity.

The other case is the Sino-Japanese conflict. The United States was so engrossed with its internal difficulties and Great Britain so completely benumbed by the crisis of the £, that the occasion seemed too good to be missed for the realization of Japan's long-planned and often thwarted expansion in Manchuria. The most important political conflict which has come before the League, as also the greatest blow dealt to its prestige and moral authority since its birth, were due to the crisis which, indirectly but no less decisively, led Japan to defy it and prevented the peace machinery of the Covenant from coming into effective action.

These brief notes may suffice to show, and the summary of the attempts made from Geneva to combat the economic depression will illustrate more fully, the direct and indirect positive influence exercised by this depression on the work of the League.

Its negative influence, that is the activities interrupted or suspended as a result of the crisis, is not as easily measured. On the one hand, the official reports annually presented to the Assembly are, for obvious reasons, less explicit on the work abandoned than on that accomplished. On the other hand, we are faced with the impossibility, familiar to all historians, of asserting with assurance 'what would have been' under circumstances other than those which in fact obtained.

This difficulty is greater when we endeavour to assess the direct negative influence of the crisis than when we seek to estimate its indirect consequences. By indirect consequences we mean the curtailment or postponement of League activities due to cuts in the budget adopted as a result of the depression. The report of the Supervisory Committee, which in September, 1931, trans-

lated into concrete proposals the general desire of the Fourth Committee to reduce the expenditure of the League, is very enlightening in this respect.

In presenting its revised budget, the Supervisory Committee declared that

> 'it deals with conditions which are wholly abnormal and is adapted to a situation of world-wide financial stress. . . . In proposing reductions of the original provisions, the Committee has had only one object in view—namely, to avoid expenditure, during the year 1932, upon work which, though approved and sanctioned by the Assembly or necessary to give effect to the policy of the Assembly, can yet, without harming the usefulness of the League, be postponed until 1933 or later.'[1]

The reductions proposed and adopted without much discussion by the Assembly amounted to about two and a half million Swiss francs. Of this sum, about two-thirds were economized on the Secretariat budget and one-third on that of the Labour Office. Appreciable cuts were made in the amounts provided for the printing and distribution of League documents and for various administrative purposes. The main reductions were due to the suppression or postponement of the meetings of conferences, committees, and sub-committees dealing with the following topics: public health, maritime labour, veterinary questions, double taxation, economic statistics, raw materials, mandates, ports and maritime navigation, opium, traffic in women and children, intellectual co-operation, European Union, and slavery.

On the whole, it may be noted that, as was reasonably to be expected, the secondary technical work of the League

[1] *Records of the Twelfth Ordinary Session of the Assembly. Minutes of the Fourth Committee*, Geneva, 1931, Annex 6, p. 99.

was sacrificed to its main political tasks. Although some economies were effected on the budget of the Disarmament Conference, they were not due to any desire to limit its scope or its duration, but simply to the fact that, on a critical re-examination, the first estimates had proved too generous. As was to be expected also, the major activities of the Economic and Financial Sections were not curtailed. On the contrary, the Supervisory Committee wisely noted at several points in its report that the world crisis would probably call for and justify increased efforts on the part of these organs of the League.

The most significant but also the most elusive negative effects of the crisis are also to be found in the economic sphere.

Ever since the World Economic Conference of 1927 the Economic Committee, the Economic Consultative Committee, and the Financial Committee had been busily occupied with various preliminary studies intended to prepare for and to make possible the translation into actual policy of the recommendations of that Conference. Those recommendations had been the postulates of a liberal philosophy of international relations based on the fundamental conception of the unity of mankind. They tended to favour the development of international trade in all its forms and to overcome the obstacles which national interests, national prejudice, and national routine had placed in its way. The crisis, on the contrary, everywhere led to the adoption and pursuit of national policies directly hostile to the principle and recommendations inherited by the League from the Conference of 1927. The inevitable result was to paralyse the efforts of the League.

The individuals who, as League experts, in Geneva had recommended the suppression of expert and import prohibi-

tions, the lowering of tariff barriers, the unification of customs nomenclature, and the promotion of international loans were the same as those who, in their capacity as national officials, were now fixing reduced trade contingents, raising tariff barriers, and impeding the inflow of commodities and the outflow of capital. That their opinions had changed less than their point of view is obvious from the following embarrassed statements extracted from the report on their activities presented to the Assembly of 1932:

'It was felt very strongly that any study directed towards a better organization of European economy must necessarily begin by an impartial examination of the present situation. Consequently, the Economic Committee studied the effects of the crises [*sic*] on the régime of international exchanges. In the course of this examination, the Committee arrived at one definite conclusion—namely, that the present situation was of such an exceptional character that it would perhaps appear premature to contemplate any plans for the future before international trade had returned to rather more normal conditions. . . .'[1]

'The Economic Committee has always laid stress in the past on the necessity of securing the utmost possible freedom for trade. It is to-day convinced that the argument it formulated earlier has not been disproved by facts. There is little doubt that the present crisis would not have been as acute as it is if Governments could have pursued a policy more in conformity with that doctrine. . . .[2]

'In view of the importance which monetary and financial necessities have assumed since the summer of 1931 as a factor in international trade, the Economic Committee was, for the moment, unable to formulate useful suggestions for trade policy until the necessary solutions had been found in the field of inter-

[1] *Report on the Work of the League since the Twelfth Session of the Assembly*, p. 56.

[2] Ibid., p. 57.

national settlements and suitable alleviations and adjustments had been effected to relieve the financial tension. . . .[1]

'The Economic Committee consulted the members of the Sub-Committee of Agriculture expressly as to the expediency of a further conference. The majority of the experts expressed the view that an agricultural meeting with a general agenda could not hope to achieve satisfactory results in the present circumstances, which are ill-adapted to practical schemes on international lines. They hope that a few months hence circumstances may be more favourable. . . .'[2]

That the same cause, the world crisis, was similarly paralysing the operation of the International Labour Organization is shown by the following statement made by Albert Thomas in his last directorial report dated 1 March, 1932:

'The fact remains . . . that serious as may be the psychological or political difficulties which hold some countries back from closer participation in the work of the Organization, these difficulties are surely all in the last resort caused or aggravated by the economic depression. Perhaps it is even more true this year than last that the economic depression has been the main hindrance to any fresh development of international labour legislation. It has caused a sort of instinctive, unreasoning reaction which has led States to withdraw into themselves. It has made them temporarily sceptical or uncertain as to the utility of internationalism.'[3]

I. (*c*) *The Crisis and the Political Vitality of the League.*

We are thus led to consider the effects of the crisis on the political vitality of the League itself. The main purposes of

[1] *Report on the Work of the League since the Twelfth Session of the Assembly*, p. 58. [2] Ibid., p. 59.

[3] League of Nations. *International Labour Conference, Sixteenth Session. Report of the Director*, Geneva, 1932, p. 13.

the League are the prevention of war and the promotion of general prosperity. When it achieves these two purposes its political vitality is enhanced. When it fails, it forfeits both the support of public opinion and the loyalty of its members. But it can achieve its purposes only through the loyalty of its members, on which it can count only when it is assured of the active support of public opinion.

In the course of its recent past the League has been faced with a double opportunity and with a double responsibility. Had it shown itself willing and able to exact from its members the national sacrifices necessary for the prevention of war in the Far East and the maintenance of international solidarity under the stress of the world economic crisis, its cause would to-day be won and its future very bright. As in both emergencies, however, national selfishness, prevailing over the sense of international solidarity, has condemned the League to at least partial failure, its political vitality is to-day at a low ebb.

The relations between the world economic crisis and the present weakness of the League are thus twofold. On the one hand, the crisis offered the League what might perhaps have been an occasion for spectacular service, but which, as the League was unable to rise to it, proved to be the occasion for a great popular disappointment. On the other hand, the crisis has led national statesmen to concentrate their attention on their internal difficulties and to seek for their national ills purely national remedies at the expense of their neighbours and of the international community at large. Thus it has led them to set aside the co-operative solutions which it recommended and to deprive it of their support, without which it can neither act nor indeed exist.

The crisis, therefore, has been both the occasion and one

of the contributing causes of the present admitted weakness of the League of Nations.

II. The Influence of the League on the Crisis.

In spite of its weakness, however, the League did not submit in passive resignation to the ill-treatment it experienced at the hands of the crisis. On the contrary, it reacted against it by seeking to understand and to control the economic depression and by undertaking to combat its consequences and thereby, incidentally, to justify and to assure its own existence. But first and in order fully to appreciate the difficulties under which the League was labouring it must be borne in mind that whilst the antecedents and the symptoms of the economic depression have been analysed and described by countless economists, statisticians, historians, publicists, and journalists, the true scientific diagnosis, so certain and so obvious as to be universally accepted as the basis for radical and efficacious treatment, has still to be made.

Our second preliminary comment is that, in the existing state of research, it does not seem probable that the sole fundamental cause of the crisis is such that the League could, by political means alone, overcome it. But it is absolutely certain that its gravity has been and is being greatly increased by international circumstances and could, therefore, be alleviated by international remedies. To make my meaning quite clear: suppose that a modern State were absolutely isolated from all its neighbours, or, what amounts to the same thing, suppose that the League of Nations were an all-inclusive world State. It is probable that economic crises like the present would not spare such a State or such a league, but it is certain that they would affect them differ-

ently and less severely. In such a hypothesis there would be no possibility of war, no lack of confidence due to fear of international friction, no burden of armaments, and no political obstacles impeding the free flow of migrations, commodities, and capital. Such a State or such a league, even if probably not crisis-proof, would undoubtedly be much less exposed to economic fluctuations and depressions than our States and our League.

What could be expected of our League was therefore not that it should prevent or overcome the world crisis, but that it should approximate, as far as possible, the conditions of political security and economic freedom of intercourse which would characterize a world State. That, as we shall note, is precisely what it sought to accomplish. That it did not and could not fully succeed must be obvious to every student of the League who realizes that it is of necessity governed by, and can act only through, the representatives of the very States whose national sovereignty would have to be sacrificed if its ideal ends were to be attained.

How, then, and through whose agency, did the League react against the crisis?

Theoretically and legally, the sole masters of the League are the politicians who happen to be in power in the States, its members. These politicians, as we have seen in the first part of this paper, disregarding the international solutions which they had themselves recommended when in Geneva, were and are, under the impact of the crisis, pursuing policies more and more narrowly nationalistic and therefore more and more contrary to their own recommendations and to the interests of the international community as a whole. Who then could protect the League, as we have defined it in our introductory observations,

against the desertion and indeed the implicit hostility of its nominal governors, the national statesmen?

It is here that we discover the principal if not the official function of the permanent servants of the League in the Secretariat and in the Labour Office. It is to these men and women, seconded by the national civil servants and other experts who had for years been evolving so-called League policies, that fell the task of navigating the ship while many of its officers were engrossed with extraneous duties and often even interfering with its normal progress. These officials and experts could, of course, act only in a consultative and persuasive capacity and, as we have seen, some of them were often themselves hampered by their national duties. Their advice, however, was sometimes taken, especially when too highly technical to be fully understood by their political masters. Furthermore, the League was never without the sympathy of some national statesmen, some national parliamentarians and many organized and unorganized groups of individuals who constantly sought to uphold its policies, even when in conflict with those of their own Governments.

The struggle was of course unequal and, under the circumstances, it is not surprising that the League, in spite of its learned investigations and wise recommendations, could not enforce upon its members measures less narrowly national than those which were usually taken. Least of all should those permanent officials be blamed who, steadfastly and at the risk of endangering their own position, continued to press unwelcome views on unwilling national statesmen.

The true position of the League *vis-à-vis* its members was well stated by Mr. Breitscheid, the German Socialist delegate to the Tenth Assembly. On 23 September, 1929,

on the very eve of the world crisis, as rapporteur of the Second Committee, he declared to the Assembly, while submitting the plan for 'concerted action', which was so woefully to fail in the course of the next years:

> 'We are aware that our proposals simply amount to recommendations with a view to establishing a framework for economic co-operation. They are not as yet tantamount to action. Action will be taken by the States which will enter into specific undertakings quite voluntarily and without any relinquishment of sovereignty. The League is only a platform for the launching of proposals for collective work by all the nations.'[1]

Before the Assembly of 1930, the League had not truly begun to deal with the crisis, which had broken out in America in the autumn of 1929. The only general form of economic distress of which the Secretary-General's report of 1 June, 1930, contains any detailed mention, was the agricultural crisis. This had given rise to a meeting of agricultural experts with the Economic Committee and to various proposals for technical enquiries into its causes and possible remedies,[2] but no positive action had as yet been urged.

II. (*a*) *The Assembly of 1930.*

At the Assembly of 1930, however, the general depression was clearly in the forefront of public attention. The newly elected chairman, M. Titulesco, had made of it the keynote of his opening address, on 10 September, by declaring:

[1] *Records of the Tenth Ordinary Session of the Assembly. Plenary Meetings*, Geneva, 1929, p. 147.

[2] *Report on the Work of the League since the Tenth Session of the Assembly*, p. 62.

'The Eleventh Assembly of the League will be called upon to discuss questions exceeding in importance any with which the League has yet had to deal. All countries without exception are faced with such grave difficulties at the present time—chiefly difficulties of an economic character—that any failure to solve them may involve a severe setback to the civilization of the world.'[1]

The next day the Rt. Hon. Arthur Henderson, then British Foreign Secretary, in his principal speech on the work of the League, had stressed the urgency of economic action in the following terms:

'There is a growing opinion that the economic problem cannot be effectively dealt with except on an international basis. Indeed the events of recent months have demonstrated more clearly than ever that the world is an economic unit, that national action is impotent in itself to deal effectively with all the causes of world depression. In our opinion, in order to cope with the present world economic situation, the fullest use should be made of the powers and activities of the Economic Section of the League.'[2]

This allusion to the crisis by the British Foreign Secretary was all the more striking as Mr. Henderson was accompanied by his colleague, the President of the Board of Trade, who, on 13 September, devoted a long and very interesting speech exclusively to the economic situation. It is unusual for two members of the same Cabinet to speak in the course of the same debate at the Assembly. Mr. William Graham's intervention was therefore all the more significant. He concluded his remarks by the following declaration which surprised no one as flowing from the lips of the staunchest free trader of the late British free trade Government:

[1] *Records of the Eleventh Ordinary Session of the Assembly. Plenary Meetings*, Geneva, 1930, p. 31.

[2] Ibid., p. 40.

'I cannot see tariffism and economic nationalism making any real contribution to the solution of the problem. More than ever, in the light of all the burdens which rest upon the world to-day following the war, we have to sound the international note in economic relations, and, in order to promote recovery, to beat down those barriers which separate us and which prevent that true co-operation.'[1]

The long debate which followed and in the course of which nearly all the Foreign Ministers of Europe spoke for their respective countries, revealed an alarming divergence of outlook. Almost all the speakers referred to the economic depression, but no two suggested precisely the same remedy. The British representatives remained almost entirely isolated in their advocacy of universal free trade, which is of course the only complete commercial internationalism. They received most support from their Scandinavian, Dutch, and Belgian colleagues, who all expressed bitter disappointment with the failure of the attempted concerted action. Señor Cosio, one of the Uruguayan delegates, was uncommonly frank in his remarks on this failure. At the very beginning of the debate, on 11 September, he declared:

'The regrettable fact . . . has to be recorded that in our own first attempt to translate the proposed solution into concrete form, we were obliged to recognize the great difficulties which, in face of the various national interests, militate against this ideal of fraternity between the peoples—a noble ideal which we all hail enthusiastically, but which still remains in the abstract plan of metaphysics.'[2]

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[1] *Records of the Eleventh Ordinary Session of the Assembly. Plenar Meetings*, Geneva, 1930, p. 71.

[2] Ibid., p. 46.

Baron Ramel, of Sweden, was hardly less blunt. On 12 September he declared:

> 'The different countries must act in accordance with principles laid down by the League, recommended by their economic experts and in most cases formally approved by their Governments; or at all events they should not act in direct opposition to those principles.'[1]

The following two extracts from the speeches of the Danish and Belgian Foreign Ministers I quote here because of their allusions to the rationalization of European economics. On 12 September, M. Munch, of Denmark, declared that

> 'the efforts of the League have been paralysed by the most unfortunate developments which have taken place in the customs policies of many States. Everyone admits that the rationalization of European production has become a necessity and that such rationalization is incompatible with the customs policy which prevails in most countries to-day.'[2]

On the following day, M. Hymans, of Belgium, added:

> 'Some decision must be reached . . . for the crisis is becoming more marked; in some countries it is already acute. We must choose between a policy of economic isolation and nationalism or the adoption of the bold programme of European economic *rapprochement*.'[3]

All the overseas representatives, and notably the delegates from the British Dominions, made the most express reservations on the free trade doctrines of their British colleagues

[1] *Records of the Eleventh Ordinary Session of the Assembly. Plenary Meetings*, Geneva, 1930, p. 63.

[2] Ibid., p. 51.

[3] Ibid., p. 59.

from London. It was natural, therefore, that liberally inclined Europeans should adopt and adapt to economic purposes M. Briand's idea of a European Union. But here also grave divergences were apparent. For the agricultural States of Eastern Europe, the continental union meant above all preferential tariffs for their grain, which was naturally much resented by their overseas competitors. For Herr Schober, representative of Austria, general European union was the goal, but an as yet inaccessible goal. As a step towards it, he proposed, by what he called the 'organic and synthetic method', to establish closer co-operation between neighbouring countries which 'urgently desire' it, 'owing to the similarity of their conditions and the vital necessity of meeting each other's needs'.[1] This suggestion, which was eagerly taken up both by Count Apponyi of Hungary and by Herr Curtius, the German Foreign Minister, should have warned the world and particularly France of the coming German-Austrian negotiations concerning a customs union. Herr Curtius, whose political position had just been dangerously threatened by the first great success of the National Socialists at the polls, spoke with peculiar bitterness, on 16 September. He said:

> 'So long as there exists in Europe the present defective economic order—or I should say the present economic disorder—every country will be bound to take such independent measures as it deems necessary to preserve its economic existence.'[2]

The outcome of such a debate could not but be disappointing. The resolutions and recommendations which the Assembly, 'deeply impressed by the gravity of the economic

[1] *Records of the Eleventh Ordinary Session of the Assembly. Plenary Meetings*, Geneva, 1930, p. 60. [2] Ibid., p. 101.

depression at present prevailing throughout the world', adopted on 2 October on the economic work of the League, clearly reflected the divergence of views which we have just noted.

In the Second Committee, where the draft resolutions on economic matters were discussed by many of the politicians and experts reponsible for the policy of their respective countries, antagonism was very much more in evidence than agreement.

One of the most important and hotly controverted issues was that of preferential treatment for cereals to be granted by Western to Eastern Europe. The plea in favour of such preference was based on the principle of European solidarity and not unnaturally opposed on the grounds of universality and of fairness by the non-European members of the League. M. Madgearu, Roumanian Minister of Industry and Commerce, speaking in the plenary Assembly on 1 October, 1930, on behalf of the eight agricultural countries of Eastern Europe, which had just met in a special conference at Warsaw, called attention to the fact that the four principal overseas agricultural States had since the war doubled their exports, obviously implying that they were thus unduly trespassing on European markets. The continental Great Powers of Western Europe, competing politically and economically for influence in the East, were all the more inclined favourably to consider these pleas for agricultural preference as the overseas States were the main centre of resistance to any general lowering of tariffs.

Real agreement was possible only when it came to entrusting the League with investigations and enquiries. It may perhaps be said that their very inability to agree on what should be done made the delegates all the readier to give

their consent as to what should be studied. Thus the League, that is the Secretariat, the Economic and Financial Committees, the commission instructed to consider the possibilities of close co-operation between European Governments and their various sub-committees and experts, were urged to initiate or to pursue investigations on preferential treatment and the most-favoured-nation clause, dumping, indirect protectionism, customs nomenclature, conciliation and arbitration as concerns commercial conventions, treatment of foreigners, veterinary matters, unification of laws in respect to cheques, international industrial agreements, economic questions relating to agriculture and the purchasing power of gold.

Furthermore, the following resolution was adopted which clearly shows that the Assembly, at a loss to grasp the deeper causes of the crisis, felt obliged to subordinate major action to further enquiry:

> 'The Assembly, impressed by the seriousness of the present situation, by the general recession of employment and trade, by the constant recurrence of such periods of economic depression and the failure up to the present to discover any concerted means for averting the losses incurred, Resolves that the Economic and Financial Organization of the League, which has already been studying the causes of fluctuations in the purchasing power of gold and their effect upon the economic life of the nations, should undertake the study of the course and phases of the present depression and the circumstances which led up to it and, for this purpose, it should collect the information compiled by institutions already in existence in different countries, centralize such information, and, where necessary, fill up any gaps that exist.
>
> 'For this purpose the Economic and Financial Organization, taking into account, in particular, the advice of the Economic Consultative Committee, should put itself in touch with national

organizations, whether consultative or planning councils or research institutions concerned with this matter, and should further, with their aid, consider by what means the work now being conducted on the problem of the recurrence of periods of economic depression may be co-ordinated.

'Believing that the restoration of prosperity in the countries which are mainly concerned with agriculture and the production of raw materials is not only a worthy object in itself, but that it will also contribute to the restoration of prosperity in other countries, the Assembly desires that, in the course of the comprehensive enquiry into world economic depression referred to in the present recommendation, special attention should be devoted to the programme and investigations recommended by the agricultural experts who met at Geneva in January, 1930, and to the result of the work carried out by international organizations specially qualified in such matters.

'It also recommends that, in connection with these investigations, account should be taken of the results of the enquiry conducted by the International Labour Office into unemployment and the work of other competent international bodies on this subject, in order that the Economic and Financial Organization, having collected all the available information, may examine at the right moment the advisability of international action, due regard being had to the economic, financial, and demographic aspects of the labour problem, including the question of raw materials.'[1]

The following extract from the closing speech of President Titulesco, delivered on 4 October, 1930, contains the diplomatically optimistic confession of the embarrassment we have noted:

'In its desire to succeed and its ever-present need to lead the

[1] League of Nations. *Resolutions and Recommendations adopted by the Assembly during its Eleventh Ordinary Session*, Geneva, 1930, p. 20.

world along the path of progress, it (the Eleventh Assembly) has decided to do its utmost to check, by means of concerted action, the economic crisis that is working havoc in the world. Whether the ideas that have been evolved are destined to triumph, or whether they are merely a prelude to other ideas, is immaterial. The Eleventh Assembly instinctively realized that it could not rest indifferent in the face of the world crisis; otherwise, the serious political problems that lie before us might develop into irremediable social problems.'[1]

II. (*b*) *The Activities of the League after the 1930 Assembly.*

Having been set so many and so varied economic tasks by the Assembly of 1930, it is not surprising that the League during the coming months should have given them precedence over all its other duties, except perhaps the preparation of the Disarmament Conference.

The economic work of the League between the Eleventh and Twelfth Assemblies was carried on partly under the auspices of the Permanent Economic and Financial Organization and partly under those of the so-called Commission of Enquiry for European Union. There was not a little over-lapping.

The European Commission discussed itself and through the medium of sub-committees and special conferences three principal topics: the organization of the cereal trade in favour of the producers of Eastern Europe, agricultural credits, and unemployment. Although no truly constructive plans were formulated and carried out by this Commission, it did favour closer co-operation between the agricultural East and the industrial West of Europe and led to various bilateral international agreements.

[1] *Records of the Eleventh Ordinary Session of the Assembly. Plenary Meetings*, Geneva, 1930, p. 228.

The economic experts, asked by the European Commission to seek means for providing closer economic co-operation among the countries of Europe, presented some very radical conclusions. Recognizing that 'the efforts which the League has hitherto made to improve international co-operation have achieved such little result', they deemed it necessary to contemplate entirely new methods. They declared that 'the ultimate goal must be the widest possible collaboration of the nations of Europe in the sense of making Europe a single market for the products of any and every country in it'.[1]

These opinions, which have certainly not as yet led Europe any further on the road to a complete customs union, which their authors expressly contemplated as the ultimate goal, did suffice, however, to create some misgivings among the overseas States at the Twelfth Assembly.

The discussion of agricultural credit measures led to the approval of an international convention for the constitution of an international agricultural mortgage credit company which had been drafted by the Financial Committee. This convention, already signed by twenty States in September, 1931, had, however, been ratified by only five at the end of the year, so that the company has not yet come into existence.

The study of the unemployment problem gave rise to the establishment, with the co-operation of the International Labour Organization, of a joint committee of experts and various proposals for facilitating inter-European migration of labour, but to no positive action.

Perhaps the most constructive measure taken by the European Committee to combat the crisis was the following

[1] *Records of the Twelfth Ordinary Session of the Assembly. Plenary Meetings*, Geneva, 1931, p. 199.

manifesto, drafted jointly by the representatives of Germany, Great Britain, France, and Italy, and unanimously adopted at the close of its session, on 21 January, 1931:

> 'As the result of our discussions and conventions during the last few days concerning the problems which our Governments have respectively to face, it has become plain that economic recovery is now being hindered by lack of confidence in the course of future events due to widespread political anxiety. That anxiety has been increased by irresponsible talk in various quarters concerning the possibility of incumbent war.
>
> 'We recognize that there are political difficulties in Europe at the present time, and that these difficulties have been accentuated by the economic instability and unrest which the world economic depression has caused. The best service we can render towards the improvement of the economic position is the firm assurance of European peace. We therefore declare, as Foreign Ministers or responsible representatives of European States, that we are more than ever determined to use the machinery of the League to prevent any resort to violence.'[1]

While the European Committee and its sub-committees were pursuing their debates, the Economic and Financial Committees, sometimes in co-operation with them and sometimes independently, were carrying out the programme set up by the Assembly of 1930. The report on the course and phases of the depression which that Assembly had called for was prepared by Professor Ohlin, of the University of Stockholm, with the co-operation of the Secretariat and in consultation with various international institutions and experts. The report proved to be a careful and intelligent historical study of the present depression in comparison with

[1] *Commission of Enquiry for European Union. Minutes of the Second Session*, Geneva, 1931, p. 54.

previous crises. Its author, however, seems sedulously to have avoided trespassing on the field of political recommendations.

II. (*c*) *The Assembly of 1931.*

The Twelfth Assembly, which met in September, 1931, devoted itself almost exclusively to the discussion of two topics: the impending Disarmament Conference and the world economic situation. As one reads its debates and its reports, one cannot help feeling distressed by the picture of international chaos and international impotence it reveals. Throughout all these documents one looks in vain for any generally agreed plan or for any constructive proposals of League policy. The following extracts from the report presented on behalf of the Second Committee by M. Louis Rollin, French Minister of Industry and Commerce, are quoted here as an exceptionally frank and intelligent analysis of the position of the League *vis-à-vis* the crisis:

'Our position as representatives of our sorely tried countries has, in the present circumstances, a painful and almost tragic character since it seems to leave us helpless face to face with events beyond our control.

'. . . We have heard appeals . . . by the most qualified authorities, who have drawn attention to the gravity of present problems and the urgency of solving them, and we should like to be able to respond by deeds to their poignant appeals.

'We realize that salvation is only to be found in the union of peoples, which to-day are so closely dependent on one another that they may be compared to limbs of the same body, none of which can be sick or unhealthy without all the others being immediately affected. We should like to foster their economic relations with the ardent hope that this exchange of interests will pave the way to intellectual and moral *rapprochement*. But we

find ourselves faced with difficult barriers on which our intentions stumble, if they do not fall.

'Failing a complete solution, we have to look for fragmentary and partial ones; but, when we apply them to realities, we feel that they are fragile and inadequate.

'International solidarity calls for sacrifices, but the national communities which have to accept them are immediately filled with unrest and anxiety.

'The work before us is long, but our sufferings require immediate relief and time presses. We should like to go full speed ahead . . . we should like to open up ampler communications between the peoples, to multiply and strengthen the bonds which unite them, and to create community of interest between them; but we are hampered at every turn by the prejudices accumulated by age-long selfishness and misunderstandings.

'Our great scheme of economic union requires confidence and confidence has still to be created. Cruel is the conflict between human intentions guided by the spirit of Geneva and the brutal force of realities. We must not fear to emphasize this conflict for the nations we represent must realize it.

'. . . Without illusion, but without discouragement, we must apply ourselves to bringing national communities to an understanding of the principle laid down in the recommendations of the 1927 Economic Conference. . . . We must call upon the Governments to examine with the greatest attention the resolutions adopted by the technical experts. . . .

'Governments must . . . instruct their public opinion and silence the disturbing elements and the authors of hatred, fear, and distrust, in order that the people, instead of looking backwards with regret and revengeful feelings, may resolutely advance in a new spirit and with free hearts towards a true economic solidarity, the source of well-being and pacification.'[1]

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[1] *Records of the Twelfth Ordinary Session of the Assembly. Plenary Meetings*, Geneva, 1931, pp. 197–8 and 119.

This statement, drawn from the official report of the Second Committee to the Twelfth Assembly, strikes me as extremely significant. Such documents are, as a rule, prepared with a very large measure of co-operation from the Secretariat, to say the least. The personal tone of these extracts, however, leads me to believe that they were drafted by their official author, a belief in which I am confirmed by the no less unusual fact that M. Rollin, in presenting his report to the Assembly on 24 September, 1931,[1] made a speech in which these very same words occur. As delegate of France, he had witnessed the general debates in the Assembly and the discussions of the Second Committee, in the course of which the unwillingness or inability of the nations to apply the principles proclaimed by the World Economic Conference of 1927 had been generally admitted and all the new proposals put forward for economic recovery criticized or opposed.

Of the results of the Conference of 1927, Sir Arthur Salter, who more perhaps than any other had been responsible for its success, had declared, on 18 September:

> 'Ever since 1927, the resolutions of the World Economic Conference had served as an economic charter for the League. Though they had not been applied or had scarcely been applied, they still remained unchallenged. If a sick man did not take his medicine and failed accordingly to recover, the medicine was not to blame.'[2]

M. Colijn, the Dutch delegate, who had presided over the successive conferences for concerted economic action

[1] Cf. p. 119.

[2] *Records of the Twelfth Ordinary Session of the Assembly. Minutes of the Second Committee*, Geneva, 1931, p. 31.

with great devotion and increasing despair, followed suit by saying:

> 'What had become of the various progeny of the World Economic Conference of 1927?
>
> 'There had been a convention on import and export prohibitions and three conferences had been held on the subject. The child was still alive, but was very delicate and (to judge by the symptoms) might die at any moment. Import restrictions had made their appearance, and import prohibitions might any day follow.
>
> 'Then there had been a conference on the treatment of foreigners, and this child had been treated as illegitimate children too often were treated by their fathers.
>
> 'As for the tariff truce, that child had been stifled before birth.
>
> 'Lastly there was the commercial convention, and that infant was in a foundling hospital, waiting for its parents to appear to claim it, and likely to go on waiting.'[1]

After examining with equally severe irony the economic work of the Commission of Enquiry for European Union, M. Colijn concluded:

> 'He personally had no new contributions to make to the discussion, except to repeat what he had always maintained—namely, that the only road to recovery was along the lines of natural and unforced adaptation of production to consumption',

that is, obviously, free trade.

M. Stucki, of Switzerland, spoke perhaps more aggressively and more pessimistically than any other delegate when he announced that his country, having for the present at least lost all hope of salvation by means of economic inter-

[1] *Records of the Twelfth Ordinary Session of the Assembly. Minutes of the Second Committee*, Geneva, 1931, p. 32.

nationalism, was about to defend itself by all the restrictions at its command.

> 'He believed with all his heart that an ultra-protectionist course was a false course, but . . . this much was certain, that no one had any right to hide disagreeable truths behind a screen of false optimism. . . . Like M. Colijn, he had no positive suggestions to put forward beyond the suggestions which 150 experts from all parts of the world had put forward in 1927.'[1]

As for the new proposals submitted in the course of the debates of the Second Committee in 1931, they were seven in number.

The Scandinavian States, Holland, Belgium and Luxemburg suggested that the Assembly should urge the States to stabilize their customs tariffs. This was opposed notably by the overseas countries, by Yugoslavia and by Switzerland, who insisted on the right to raise their tariffs whenever they saw fit.[2]

France had proposed, as palliatives at least, the organization of public works, the development of international industrial agreements, and the adoption of a unified customs nomenclature. Public works were opposed for financial reasons and industrial agreements as of doubtful value to producers and as threatening to the interest of consumers. As for the unification of customs nomenclature, it was generally welcomed, but hardly as even a palliative for the depression.[3]

Germany had proposed the creation of an international organization for extending medium and long-term credits at

[1] *Records of the Twelfth Ordinary Session of the Assembly. Minutes of the Second Committee*, Geneva, 1931, p. 33.

[2] Ibid., p. 21.

[3] Ibid., p. 25.

moderate rates to capital-poor countries, and closer European economic co-operation with preferential tariffs. Nobody felt inclined to lend to defaulting countries and European tariff preferences were naturally opposed by all non-European States and criticized also by Great Britain and Sweden.[1]

Italy's representative, M. Bottai, Minister of Corporations, declaring that 'national economic reorganization was the prelude to international economic equilibrium', had proposed co-operation between national consultative economic councils.[2] The ill-disguised attempt at Fascist propaganda implied in the proposal does not seem to have favourably impressed many delegations.

Was it surprising, under these circumstances, that M. Rollin, when reporting to the Twelfth Assembly on the results of these discussions, should have confessed to a feeling of painful and almost tragic helplessness?

II. (*d*) *The Activities of the League since the 1931 Assembly.*

Since the Twelfth Assembly, the economic work of the League has been somewhat pushed into the background by the Disarmament Conference and the Sino-Japanese conflict which have engrossed the general attention of the public. It has proceeded, nevertheless, both under the auspices of the European Commission and under those of the Economic and Financial Organization.

The European Commission, on 26 September, 1931, set up a special committee to study the extension of customs preferences to agricultural products other than grain, and another to consider a draft pact of economic non-aggression

[1] *Records of the Twelfth Ordinary Session of the Assembly. Minutes of the Second Committee,* Geneva, 1931, p. 26. [2] Ibid., p. 30.

proposed by the Soviet Government. The first of these bodies, in October, 1931, produced an almost entirely negative report, and the second, after a first meeting in November, 1931, has adjourned in view of the difficulties of securing unanimous agreement. In general it would seem as if the enthusiasm at first aroused in some quarters by the projected European Union has been laid in the grave with the remains of the great sponsor of the scheme, Aristide Briand.

As for the various suggestions for action considered by the Economic Committee, their adoption was postponed until the return of more normal economic conditions, in terms which we have quoted above.[1] The Economic Committee has, in fact, devoted all its last reports to setting forth the reasons of its impotence in the presence of the world crisis much more than to proposing remedial measures. The Financial Committee, faced with the unwilling and guiltless default of Austria, Hungary, Bulgaria, and Greece, the States whose public finances it had so effectively helped to restore before the depression, has been obliged to adopt exactly the same passively apologetic attitude.

In the International Labour Organization, where, for the last two years, the study of the crisis and of unemployment have overshadowed all other activities, the embarrassment was the same, but the impatient revolt appreciably greater. Under the fiery leadership of the late Albert Thomas and with the ardent support of the Labour representatives, the International Labour Conference, in the spring of 1932, resolved to draw the attention of the Council of the League of Nations and of all members of the International Labour

[1] Supra, p. 22.

Organization and of the League to the following ambitiously constructive suggestions:

'1. That Government delegates authorized to that effect should be given instructions to draw up a list of big international public works for economic equipment and for national works on a large scale calculated to encourage the general economic development of the countries concerned, to make financial arrangements necessary for that purpose, and to arrange for the works to be undertaken without delay;

'2. That the League of Nations and the International Labour Organization should be invited to the conference convened at Lausanne to settle the problem of reparations and other international political debts;

'3. That States should take joint action to settle the general problems of currency and credit, and to lay the foundations for a stable international monetary system;

'4. That the problems of production and international trade should be examined by Governments in collaboration with delegates appointed by organizations of employers and workers in various countries for the purpose of concluding such international conventions as might ensure a resumption of economic activity.'[1]

These bold proposals of the International Labour Conference were adopted by that body on 30 April of the current year, noted by the Council of the League of Nations on 21 May, and referred by it to the coming Assembly. It does not take much imaginative foresight to predict that that Assembly will refer these proposals to the coming Economic Conference and perhaps urge the economic and financial experts of the League to study them in the meanwhile.

[1] *Report on the Work of the League since the Twelfth Session of the Assembly*, Geneva, 1932, p. xix.

III. Conclusions.

This closes the sad tale of the League's efforts to combat the crisis. It is a close, but not a conclusion. As Albert Thomas declared at the end of his last directorial report:

> 'Everyone says that the evils from which the world is suffering cannot be remedied, except by international solutions. And yet there is such a state of general panic that a policy of economic armaments is being adopted on all sides, on top of the policy of military armaments. One country after another is trying to manufacture and produce all it can so that it need not be dependent on anyone else in case of a conflict. Each is endeavouring to maintain its artificial industries or forms of cultivation by a hedge of protectionist tariffs and import prohibitions which still further increase mutual distrust.'[1]

The world economic crisis, which, as we have seen, was partly, but probably not wholly, an international phenomenon, has undoubtedly been prolonged and aggravated by international factors, by the political hostility and distrust between States to which Albert Thomas referred, and by the increasing disintegration of the world economic organism into the States which are its constituent and fundamentally inseparable parts. This disintegration is the desperate protest of national sovereignty against an evolution which condemns national sovereignty. And this hostility and distrust are the price mankind has to pay for pursuing and maintaining the policy of national sovereignty which is daily becoming more suicidal.

The League of Nations was more or less consciously conceived by its founders as a transition from the sphere of

[1] League of Nations. *International Labour Conference, Sixteenth Session. Report of the Director*, Geneva, 1932, p. 68.

national sovereignty, which they still respected, to that of world unity, towards which it has been timidly and vainly striving. Only when this is generally recognized will mankind recover its equilibrium.

In the present world epidemic the League, as the foremost world physician, has been helpless—not because he did not know how to combat the epidemic or, at least, how to limit its incidence, but because he himself was stricken more grievously than any of its other victims. Paralysed on his sick-bed, and indeed threatened by the scourge with internal decomposition, he was therefore condemned to withhold his ministrations from his suffering fellow-creatures. Only when the deep and growing reality and the beneficent inevitability of world unity will have come to be generally appreciated will the League master the crisis. Its first efforts have failed. Time is ripe for its second effort, which, as one of its ablest and most devoted servants has said in the first words of a recent book, as sound as it is brilliant, 'tests the quality of a man or of an age'.[1]

[1] Sir Arthur Salter, *Recovery, The Second Effort*, London, 1932, p. 1.

CHAPTER IV

THE RESULTS OF THE LAUSANNE CONFERENCE

by

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IF one wants to get a good picture of the Lausanne Conference and of its results one has to go back a few years to see what were its origins. The preceding act in this tragedy (or comedy) of reparations was the Hague Conference which held two meetings, one in August, 1929, and the second in January, 1930. It was the Hague Conference which put into force what was then called the New Plan—more commonly known as the Young Plan—which had been worked out by a committee under the chairmanship of Mr. Owen D. Young, of the United States.

i. *The Origins of the Conference.*

The Young Plan was heralded to the world (see Article I of the Agreement with Germany, signed at The Hague) as being

> 'definitely accepted as a complete and final settlement, so far as Germany is concerned, of the financial questions resulting from the war'.

In the second paragraph of the same article it was stated that

> 'The German Government gives the creditor Powers the solemn undertaking to pay the annuities for which the New Plan provides in accordance with the stipulations contained therein.'

And Article VIII says:

> 'With a view to facilitating the successful working of the New Plan the German Government declares spontaneously that it is firmly determined to make every possible effort to avoid a declaration of postponement. . . .'

There is a Dutch proverb which says 'Man weighs but God decides'. The economic and financial crisis has made the reparation payments completely impossible, and the Young Plan had, it is now seen, one grave defect: it could not be adjusted. The previous Plan (the Dawes Plan) was capable of adjustment because the payments to be made under it were to a certain degree dependent on an index of the economic well-being of Germany and could automatically be reduced when German economic activity was declining. If the Dawes Plan had continued in force, the payments would automatically have been reduced in the course of the last three years.

The Young Plan had no such elasticity. There were some possibilities of adjustment, but these were not adequate: the payments under it were divided into a 'conditional part' and an 'unconditional part'. The unconditional part, which could not be postponed in any way and which Germany undertook to pay year after year without fail, amounted to 660 million gold marks; and the conditional payment could only be postponed—and this is the crux of the question—for a period of two years, not for a long period. If postponed, it had to be paid two years later.

The conditional part amounted at the beginning to about 1,000 million gold marks and was to increase year by year to about 1,700 million gold marks; after reaching this maximum it was gradually to be reduced until 1988—for

the reparation payments under the Young scheme extended until then.

Germany could ask for a temporary (two years') postponement of the conditional part, but had to continue to pay the unconditional part of the reparation payments. The method provided in the Young Plan was that Germany had to ask for a committee of experts to be called by the Bank for International Settlements in Basle to decide whether the request by Germany for postponement was justified or not.

The next milestone in the reparations history is the Hoover Moratorium. The day after the cables about this proposal had come in, M. William Martin—that most remarkable journalist to whom I am glad to pay a tribute—had a leading article in the *Journal de Genève* entitled 'La Fin des Réparations' (the end of reparations). Most people who read that article must have thought M. Martin over-optimistic. Now we see that M. Martin was right and that Mr. Hoover's action has in fact led to the end of reparations.

After President Hoover had made his proposal there was a period of difficult negotiations between the Powers as to whether it could be accepted or not. The French Government at that time insisted very much that the Young Plan should at least be maintained legally, that therefore the unconditional payments should be paid, and that the conditional payments only should be suspended for one year. But as everyone agreed that not even the unconditional payments could be obtained from Germany, it was arranged that Germany should pay the unconditional part to the Bank for International Settlements at Basle, and that the Bank should lend an equivalent amount on the same day to the German railways, so that no real transfer in foreign

exchange need be made by Germany. In this manner the principles of the Young Plan were kept legally intact.

There ensued in the autumn of 1931 a number of diplomatic conversations and visits of members of Governments from one capital to another. The most important of these was the visit paid by M. Laval, the French Prime Minister, to President Hoover in Washington at the end of October. On that occasion the following advice was in effect given by the United States to Europe: 'Put your own house in order first; after that we can talk.'

That advice has since inspired the policy of European nations and has led to the Lausanne Agreement. The first step was that Germany asked for a postponement: she asked the Bank for International Settlements to convene the Experts Committee mentioned above. But the German Government made it plain that it only did this because it was the formal step that it had to take under the Hague Agreements to set the whole machinery in motion: 'In making this declaration the German Government must expressly state that such a declaration does not do justice to the present situation.' The Experts Committee met in December and issued a report, from which it was clear that Germany was unable to resume reparation payments on 15 July, 1932.

Upon the basis of that report the chief Powers decided to call the Lausanne Conference. The Conference was first convened at Lausanne for 16 January; then about 14 January the opening was postponed till the 20th, then till the 25th, and it was finally postponed for half a year. It is useful to recall these dates to show the uncertainty prevailing at the time. What was the cause of all these postponements? In the first place it was the position of

the French and German Governments. Both had to face general elections and both were placed in a very difficult situation on account of public opinion in their respective countries (or what they thought public opinion was standing for). The Lausanne Conference was therefore postponed until June—that is to say, until after the German and French elections, but before the date on which the next reparation payments were due, 15 July.

It is worth while recalling the positions of the Governments in January, in order to see what advance has been made.

At the beginning of January the German Chancellor, Dr. Brüning, declared positively: 'It is clear that Germany's situation renders it impossible for her to continue political payments.'

The French position was indicated in a declaration made to the Press by M. Flandin, the French Minister of Finance, immediately on hearing Dr. Brüning's statement. It was plain, he said, that no Frenchman could accept the unilateral denunciation of agreements voluntarily signed, especially as such denunciation would involve the destruction of the sacred right of France to reparations. And he repeated M. Laval's thesis that the present crisis, at least in its financial aspect, was a crisis of credit, or rather of confidence, and 'this crisis would be made insurmountable if it were to be further complicated by fresh assaults on the sanctity of contracts, which could only have the effect of rendering hoarded capital more wary than ever'. He concluded by saying that if the Lausanne Conference must be preceded by a declaration of insolvency of this nature, it would be useless to summon it. Similarly, in a declaration made before the French Chamber on 19 January, M. Laval described the

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proposals made in various quarters for the wiping out of reparations and debts as the outcome of a state of mind which could only be attributed to the fact that the world, hungry for the formula which promised a cure for its ills, was too ready to welcome quack theories.

There was little therefore in January to justify the hope that it would be possible to come to an agreement and the postponement of the Conference, although it has had disastrous effects on the financial and economic situation by continuing for another six months the state of uncertainty, probably was the best way out.

The initiative for the Lausanne Conference was taken by what have been called officially 'the six inviting Powers' —namely, Germany, Belgium, France, Great Britain, Italy, and Japan—i.e. the five Great Powers interested in reparation questions, with the addition of Belgium, which is in these questions formally treated as a Great Power as it has special interests in reparations. These six Powers sent invitations to the other Governments interested in reparations which had also signed the Hague Agreements, to meet at Lausanne. The other Governments—apart from the British Dominions, which were not greatly interested—were Greece, Poland, Portugal, Roumania, Czechoslovakia, and Yugoslavia, the six other reparations creditors of Germany, and, in addition, the two other reparations debtors, Hungary and Bulgaria.

Although these other Powers had been invited to attend, they were virtually kept outside the negotiations and were only at the last moment informed of the results. As a result, Greece, Roumania, Yugoslavia, Czechoslovakia, and Portugal refused to sign the Lausanne Agreement. If these countries refuse to sign at all this will create a certain legal

difficulty, because they could claim that for them the Hague Agreements continue to be valid.

ii. *The Lausanne Convention.*

The form of the Lausanne Convention is a Final Act plus five Annexes. The first Annex contains the agreement with Germany; the second the temporary arrangements to be made with Germany; the third an agreement concerning the reparation payments due by other countries, usually called 'the Eastern reparations'. The fourth and fifth Annexes set forth procedure for future action—the fourth in respect of the financial and economic difficulties of Central and Eastern Europe and the fifth to prepare for the convening of the World Economic Conference.

As regards the 'Eastern reparations'—at present the reparation payments to be made by Hungary and Bulgaria[1]—nothing was done at Lausanne except to lay down procedure. It was decided to form a committee to deal with the Bulgarian and Hungarian reparation payments. The question of Bulgarian reparation payments is relatively simple. Everyone agrees that Bulgaria is in a very weak financial state and unable to pay anything at the moment. In fact she has stopped paying in full the service of her public debt and it is inconceivable for her to pay any reparations at present. The matter is complicated, however, by the fact that 76 per cent of the Bulgarian reparation payments go to Greece, which is also in a very difficult financial

[1] The Austrian reparation payments were wiped out officially at The Hague in 1930. At the time of the 1923 League Loan to Austria an agreement was obtained that as long as that Loan was outstanding Austria need not pay any reparations.

situation and could make good use of the money that is due to her from Bulgaria.

Much more difficult is the Hungarian reparations question, because the money from Hungarian reparations has been earmarked to settle the so-called 'Optants' question—i.e. to settle the claims submitted by Hungarian nationals against the three Governments of Roumania, Czechoslovakia, and Yugoslavia, arising out of the application of the agrarian reform legislation in those countries. This is an extraordinarily complicated question which was before the Council of the League of Nations for years and was eventually settled at The Hague, after almost impossibly difficult negotiation, through the genius of two men (both of whom are now dead)—namely, Signor Brocchi of Italy and M. Loucheur of France. The last negotiations at The Hague on the Optants question and Hungarian reparation payments continued without interruption for nearly forty-eight hours from one Saturday afternoon till late on Monday, those taking part having neither sleep nor rest. Only thus was it possible to find a solution. This shows the character of the problem which is likely to come up again in connexion with Hungarian reparations. (I think it is true to say that nobody sees for the moment in what direction the solution should be sought.)

Finally, there are a few other documents which do not form part of the Final Act and which were only published later. They form together the so-called 'Gentlemen's Agreement' about which there has been so much to do.

iii. *The Agreement with Germany.*

What are the contents of the various agreements? In the first place, the Agreement with Germany. There were

at the beginning of the Lausanne Conference two theses with regard to German reparations. One was that of the 'clean slate'. That was defended by Great Britain, Italy, Germany and Belgium, and recommended the wiping out of all political debts in Europe. After that the wiping out of the debts to the United States would follow. Upon that basis a new start could be made towards economic and financial recovery and the world would be the better for it. On the other hand there was the thesis, defended by France, to the effect that there must be some final payment, for two reasons: In the first place, public opinion in France. M. Herriot felt that he could not return home without having obtained something from Germany. French public opinion would not accept the complete cancellation of reparations. If it were true that Germany was unable to pay anything at that moment, who could say that she would *never* be able to pay anything. But there was more in it than that. There was a feeling in France that legal contracts should be binding and could not be repudiated unilaterally; that confidence could not be restored unless the principle of sanctity of contracts was maintained; and that it was therefore necessary, in order to save the principle, that some payment—even if it were very small—should continue to be made. In the second place there was the argument of the attitude of the United States. The French delegation at the Lausanne Conference maintained that settlement with the United States would be far easier if one could offer them something. The following[1] is a quotation from a remarkable memorandum submitted by the French Minister of Finance, M. Germain-Martin, to the Lausanne

[1] The original text was published in *L'Europe Nouvelle*, 16 July, 1932, p. 876.

Conference on 29 June, in which the French point of view was brilliantly set forth:

> 'In practice, a pure and simple "clean slate" cannot provide the foundation for an agreement with the United States. Without an agreement with America there is no possibility of a final settlement. The results arrived at in Lausanne would remain without definite effect. We can affirm that in all certainty. The French delegation, after having obtained the most reliable and up-to-date information,[1] has adopted a plan which it considers will facilitate the negotiations with the United States when the most opportune moment arrives—a plan which, moreover, by its very moderation takes completely into account the possibilities of the debtor. It knows that a pure and simple "clean slate" would be considered actually in the United States as an act of defiance with regard to the principal creditor.'

It would seem from this memorandum as if the United States had in some form or another asked that there should not be a 'clean slate' in Lausanne, but that there should be some final payment. Consideration of the attitude which the United States might finally take has been hanging like the sword of Damocles over the Lausanne Conference. The reparations creditors—Belgium, Great Britain, France, and Italy—could not give up for ever all claims to reparation payments from Germany without reserving to themselves a loophole in case no arrangement with the United States proved possible. On the other hand Germany could not itself take the risk of the possibility of an agreement with America. Germany made it clear from the beginning that it could not sign a document which would throw on it the onus of an agreement with the United States. Germany

[1] French text: 'les informations les plus sûres, et qui datent d'hier.'

therefore inverted the American thesis and said 'Reparations have nothing to do with inter-Allied debts; that is your affair; we must ask for a final settlement of reparations'.

iv. *'The Gentlemen's Agreement.'*

The way out of that difficulty was the 'Gentlemen's Agreement'—which in itself—I think it is important to state this—is completely natural and self-explanatory and contains nothing diabolical, nothing which smells of the secret pre-war diplomacy. The misfortune has been that for a day or two this Gentlemen's Agreement was kept secret as if it were something to be concealed, and then came out gradually bit by bit and was not made public at the same time as the other Lausanne Agreements.

That was a piece of bungling—and I think it was nothing more than administrative bungling. It has had the most unfortunate effect on public opinion in the United States and elsewhere which was not at all justified by the contents of the Agreement, which says in effect nothing else than this: that the main reparations creditor Powers—Great Britain, France, Italy, Japan, and Belgium—agree between themselves that they will not ratify the Final Act of the Lausanne Conference (i.e. in the first place the Agreement with Germany) unless they can make a satisfactory agreement with their own creditor, the United States—a very natural precaution to take.

The Gentlemen's Agreement has had this unpleasant result from the point of view of the United States—that it has in fact created a united front of the European debtors of the United States against the United States, a front which up to the present had not existed. Germany is legally standing apart, but of course she will in fact be vitally inter-

ested in the future negotiations between the European debtor States and the U.S.A.

v. *The Contents of the Agreement with Germany.*

What are the contents of the agreement with Germany —the basic result of the Lausanne Conference? The German Government has promised to hand over to the Bank for International Settlements at Basle 5 per cent bonds of the German Government to a total of 3,000 million marks, which the Bank will try to issue on the various markets during the years 1935 to 1947, at a rate not below 90 per cent.

At present German credit is much lower than what is represented by these rates and the agreement therefore amounts in effect to this: that the final payment of reparations by Germany is dependent on the restoration of German credit. Just as there was an index of economic conditions under the Dawes scheme, there is in the Lausanne Agreement a credit index on which the final reparation payment by Germany is dependent.

Nobody is at present able to say whether in the course of those twelve years German credit will improve sufficiently to enable 5 per cent German bonds to be sold at 90 per cent. At present the 7 per cent Dawes Loan issued in 1924, on the basis of the Dawes Plan, stands at 84 per cent, and the 5½ per cent Young Loan stands at about 67 per cent. A 5 per cent loan would therefore stand to-day at roughly 60 per cent. The Young Loan would have to rise to 97 or 100 per cent before it would be possible to issue 5 per cent German bonds at 90 per cent. Whether Germany's credit will improve to that level depends on so many internal and external factors—*inter alia* on Germany's

internal political situation—that all prophecy on this point is vain. Of course the mere existence of those 3 milliards of bonds deposited at Basle and the possibility of their being thrown upon the market will have a decidedly 'bearish' effect on the price of German bonds, for when German bonds rise to a level corresponding to 85 or 87 per cent for a 5 per cent bond, people will realize that if the rise continues part of the bonds deposited in Basle may come on the market and will not be inclined to buy German bonds at that price, not knowing what effect such new issues will have on the market.

A comparison with the amount of bonds now outstanding gives an idea of the magnitude of those 3 milliards of bonds which will be deposited at Basle: the amount still outstanding of the Dawes Loan is about a quarter of the sum (755 millions) and the amount still outstanding of the Young Loan is about half (1,455 millions). These are figures for 31 December, 1931. The bonds of the German Government outstanding at present on the international markets are therefore considerably less—in total only three-quarters—of the sum which is going to be deposited at Basle.

What will be the burden on Germany, supposing that all those bonds can be issued? They are 5 per cent bonds, and 1 per cent sinking fund will be paid every year to redeem them. Therefore 6 per cent will have to be paid; that is, 180 million marks annually. It should be realized that in addition Germany has other payments to make still, directly or indirectly, in consequence of the reparations settlements. In the first place, the service on the Dawes Loan and the service on the Young Loan. Further, the payments resulting from the agreement with Belgium on the German marks

issued in Belgium during the Occupation. Then there are the payments to the United States for the costs of occupation of the Rhineland by American troops; and, finally, there are the so-called 'mixed claims' to be paid to America in view of arrangements made during the war. Altogether these various payments amount to about 230 million marks a year. If therefore the whole of the 3 milliard bonds to be deposited in Basle would be issued, the total burden on Germany during a period of thirty years will amount to a little over 400 million marks a year—that is, roughly, 100 million dollars a year. It is certainly not an impossible sum—but it is worth while to remember that there will remain some burden out of reparations during a period of thirty years. This is one of the reasons why German public opinion has not hailed the results of the Lausanne Conference as a great victory.

In another manner also the Agreement binds the payment of reparations to the restoration of German credit. It is provided that if any foreign loan is issued by the German Government or with its guarantee for a period of more than twelve months, one-third of the sum raised shall be used to purchase bonds from the Bank for International Settlements. This provision will probably have a limiting effect on German foreign issues and therefore tend to support the price of German Government bonds.

Between 1937 and 1947 the Board of Directors of the Bank for International Settlements, if it considers that the credit of the German Government is restored, will have the right to decide to issue the bonds at a price below 90 per cent. The decision has to be taken by a two-thirds majority. This provision is bound unfortunately to complicate the future elections to the Board of Directors of the Bank. It

will be remembered that the Board is composed of twenty-five members, divided into two groups:

(*a*) Sixteen, the nationality of whom is indicated by the Statutes (Art. 28). They are the seven Central Bank Governors of Belgium, France, Germany, Great Britain, Italy, Japan, and the United States (or their nominees), plus seven members appointed by each of the above, plus a third Frenchman and a third German during the years that Germany makes reparation payments;

(*b*) Not more than nine members co-opted by the above sixteen members but from other countries. So far only three members have been co-opted, namely, the Central Bank Governors of the Netherlands, Sweden and Switzerland, and it is said that the co-opting of further members was postponed owing to divergencies of views.

Owing to the above clause in the Lausanne Agreement, it may be feared that these elections may be even more difficult in future. Similarly, it would seem as if until 1947 any modification of the statutory composition of the Board—such as would be welcomed in certain quarters in order to diminish the reparations character of the Bank—would be out of the question.

Finally, the transitional measures. They amount to this: It was decided at Lausanne that the Hoover Agreement should be provisionally prolonged for Germany, i.e. that no reparation payments need be made during these next months as long as the legal position is uncertain—until either the Lausanne Agreement comes into force or the Powers definitely decide that it shall not be ratified. In the latter case, legally, the Young Plan and the Hague Agreements will continue in force. But it was decided in the 'Gentle-

men's Agreement' that in such a case a fresh Conference will be called.

vi. *The Debts of the States to America.*

Everything depends at present, therefore, on the outcome of the negotiations with America. The next date by which payments must be made is the 15 December. Then France, Great Britain, Italy, Belgium and a number of smaller States have to pay their annuity on war and other political debts to the United States. In the *Journal de Genève* this morning[1] there was a telegram from Washington stating that a high official in the American Treasury Department declared yesterday that America was expecting full payment on the 15 December. I think this should not be taken too tragically. Just as both the French and German Governments were unable in January of this year to accept what they have accepted now because of the elections that were ahead, just so the American Government is not a free agent at this moment—it must think first of all about the Presidential elections on the 8 November. But between that date and the 15 December there will be more than a month during which the American Government will be free to negotiate.

Suppose that the United States refuses to come to a new settlement. On the one hand it is excluded from obtaining from Germany a promise for something more than she has given at Lausanne. Already Lausanne has meant a very severe disappointment for German public opinion. A number of political parties—including the National Socialists—have declared that they will vote against the Lausanne Agreement and its ratification by Germany is therefore not at all certain.

[1] 18 August, 1932

On the other hand one should remember what enormous difficulties had to be met by the French Government in 1929 in getting the French Parliament to approve the Debt Agreement between France and the United States (the Mellon–Berenger Agreement). Those who remember these difficulties in the French Parliament and the conditions which it attached to ratification, amounting to a refusal to make any payments to the United States as a result of that Agreement over and above what France would obtain from Germany, will feel that—quite apart from any considerations of the growing deficit in the French budget—it is impossible for any French Government to come before the French Parliament and ask that payment shall be made to the United States out of monies obtained from the French taxpayers and not from Germany. There is no doubt that France feels strongly that the trend of economic forces having been too strong, she is suffering a great injustice.

Great Britain is probably the most heavily taxed country in the world and nevertheless has a serious budget problem. That means that it is almost inconceivable that Great Britain should shoulder new burdens to pay the United States. The same is true in the case of Italy.

On the other hand the United States is passing through an unprecedented crisis, and it must make desperate and heroic efforts to balance its budget. It is loth to throw any further burden on its taxpayers, quite apart from the feeling natural in any creditor that it desires to receive what it considers justly due to it.

vii. *Settlement with America.*

These are the elements of the situation. Nobody can say what will come out of it during the next year, how this

tangled skein will finally be unravelled. But what are the arguments in favour of either a definite 'clean slate' or the acceptance of a very moderate settlement like that arrived at with Germany?

I think those arguments are twofold. First, there is the psychological argument, namely, that unless a final settlement is reached—a settlement which the world will agree is capable of being carried out without re-creating serious political, financial or economic troubles—there will be no firm basis for recovery from this crisis. Unless such a settlement is arrived at there will be no return of confidence nor a 'settling down' of floating capital. One of the greatest difficulties for all financial authorities in the world to-day is the huge volume of capital that is floating about from country to country, apt to move at any moment and upsetting all plans of financial authorities. Unless confidence is created that capital will not 'settle down'. It will remain a cause of financial disturbance and stabilization of the financial and monetary situation will be impossible.

Secondly, unless debts are reduced to such figures as can be paid over by the debtors and can be transferred from one country to another, the world will remain in a situation of crisis—it will be impossible to get back to stability, to a stable financial and monetary machinery, to a re-establishment of the gold standard throughout the world. The crisis will take—and has already taken—the form that debtor countries cannot pay because they cannot export merchandise. There is a direct relation between the amount of money that one country can send over to another and the amount of goods it can sell or services it can render. For the creditor nations there is at present this choice: they must either agree to receive less—i.e. that their debtors reduce the

debt payments—or they must allow the debtor nations to pay by allowing these to export merchandise to their countries or to render certain services.

There is perhaps a possibility—but all those who know the situation there agree that it is a very slight possibility—that the United States tariff may be a little reduced. But it is inconceivable that there will be any radical reduction. That being so, there seems no question that America can obtain the whole of the foreign payments which are due to her. But if she cannot obtain the whole of both political debts and private debts (that is, debts to private American citizens from foreign private citizens or from foreign Governments—for instance, the service of foreign Government bonds) it seems to be a better choice to reduce the political debts than to reduce the private debts because the effect of the reduction of the political debts, although hard for the Government, would be infinitely less in its financial consequences than would be the cancellation of private debts. For the cancellation of private debts would mean the complete loss of confidence in foreign debtors and the drying-up for a generation or more of the flow of capital from America to other countries, and unless such a flow of capital can be set in motion again there is very little hope for an early recovery.

viii. *The World Economic and Financial Conference.*

Finally, there are the two last Annexes of the Final Act of the Lausanne Conference: Annex IV, setting up the Committee for dealing with the affairs of Central and Eastern Europe, and Annex V, setting up procedure for the World Economic and Financial Conference. Those two annexes prepare the way for future constructive action.

The Committee dealing with Central and Eastern Europe will meet on the 5 September at Stresa. Fifteen European Governments will send delegates to consider the special difficulties of Central and Eastern Europe where trade is practically stopped as a result of the economic and financial crisis. All the measures which have been taken by these countries to defend themselves, whether by prohibitions of imports or restrictions on foreign exchange transactions, etc., will have to be discussed in that Committee.[1] It is impossible to forecast the outcome at this moment. Nobody expects the Committee to accomplish wonders. But, if started in the right spirit, it will be an extremely useful preparation for the World Economic and Financial Conference: (1) it would greatly simplify the work of the World Conference if these vexing Central and Eastern European problems could be settled beforehand or in any case separately; and (2) it will be an excellent preparation for the World Conference because, in fact, most of those problems are not purely Central and Eastern European—they are problems affecting the whole of Europe and the whole of the world. You will find exactly the same problems in, say, Brazil or the

[1] Annex IV of the Final Act of the Lausanne Conference lays down that the Committee will have to make proposals for measures required for the restoration of the countries of Central and Eastern Europe, and, in particular—

(*a*) Measures to overcome the present transfer difficulties of those countries and to make possible the progressive suppression, subject to the necessary safeguards, of the existing systems of exchange control;

(*b*) Measures to revive the activity of trade, both among those countries themselves and between them and other States, and to overcome the difficulties caused to the agricultural countries of Central and Eastern Europe by the low price of cereals, it being understood that the rights of 'third countries' remain reserved.

Argentine or Australia. Practically every country in the world has difficulties with its foreign exchange and with its exports and is restricting imports.

Annex V of the Final Act of Lausanne lays down the procedure for the preparation of the World Economic and Financial Conference. This procedure has been completed by a resolution adopted by the Council of the League of Nations on the 15 July. The Conference will be convened by the League of Nations. Two committees have been created, one a Committee of the Council of the League, of which the inviting Powers of Lausanne, together with the U.S.A. and Norway, are members. The Committee is presided over by the British member of the Council, Sir John Simon. This Committee will take the political decisions such as, for instance, the date and place of the Conference. The technical preparatory work will be done by a Preparatory Experts' Committee on which the Powers which issued the invitations to the Lausanne Conference, together with the U.S.A., will each appoint two experts; two will be appointed by the Bank for International Settlements; and finally the League will appoint six other experts. This body of twenty-two men will meet during this autumn to prepare the questions to be discussed at the World Conference.

If one were to sum up in one short sentence the results of Lausanne, one might say that Lausanne has not been a 'final act'. It might be called the second act of the play. The first act was the Hoover Moratorium. The third act will be constituted by the negotiations with America on the debt question; and the fourth and fifth acts will be formed by the World Economic and Financial Conference

and by the Disarmament Conference. It is only after all that has been accomplished that we can draw final conclusions and say whether adequate progress has been achieved—whether the heritage of the war has been sufficiently cleared away to enable the world to make a new start. But although Lausanne is not a 'final act', although its results are only provisional, nevertheless if one looks back at the situation half a year ago, or even two months ago, one can say that it constitutes a great step in advance.

CHAPTER V

INDUSTRIAL AND SOCIAL ASPECTS OF THE ECONOMIC CRISIS

by

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i. *The Real Nature of the Crisis.*

IF the crisis had no social aspects there would be no crisis. If the crisis only meant that rich people were less rich or that busy machines were a little less busy I for one would not think that there was reason to worry. There is a crisis because millions of people who were reasonably well off are now not only poor but without the means of existence: in fact, their circumstances are such that if it were not for public assistance in one form or another they would starve to death. Why they are in that position is a question of absorbing interest and it leads us into the tangled fields of economics and finance.

We are apt, therefore, to talk of a financial crisis or an economic crisis, to think of it as a problem of mechanical or semi-mechanical adjustment. If it were that and no more we should not call it a crisis. The essence of the crisis is that what is at stake is the precariousness of millions of human lives, and terrible as is the position of the older worker who finds himself without employment, even more tragic, and incidentally more dangerous to society as a whole, is the position of the young man arriving at the age where he would become a wage-earner and unable to see any

prospect of securing work. He is not only an economic but a spiritual outcast.

These are the real social aspects of the crisis, or, as I prefer to put it, the crisis itself. We must bear them constantly in mind in considering its technical aspects, because there is a tendency to forget them, or rather to think that if the economic machine can be made to accelerate again the problems of unemployment will automatically disappear. That involves an unfortunate, and possibly dangerous, inverted emphasis. If, for example, I break my leg I am of course interested in splints. But my primary interest is my leg. It does not follow that if my leg is put in splints I shall regain the use of my leg as it was before. Unless the splints are applied, not as splints for splints' sake, but in order that my leg shall set correctly, I may be permanently crippled. And so it is not enough to think only in terms of the restarting or acceleration of the economic machine—it must be thought of in terms of the social results which such restarting or acceleration will produce. We shall see later that these results may not necessarily be socially satisfactory.

ii. *A Crisis Mentality.*

There is another reason for keeping in mind the real human crisis. It is that humanity is peculiarly and dangerously adaptable. A year ago we were talking of the crisis as an 'economic blizzard', as the greatest economic dislocation that the world had ever known, and in consequence there was a widespread determination that something must be done—or rather a widespread confidence that this challenge to man's intelligence and organizing power would not be ignored. But a year passed and the crisis grew worse. The

number of unemployed continued to increase, but it seemed as though we were living in a world in which a steady increase in the number of unemployed was to be regarded as normal. People developed a crisis mentality just as they had developed a war mentality.

In England people were shocked and incredulous when Kitchener said the war would last three years. At the end of the first year opinion was general that it would last at least another year, and people resigned themselves to that disagreeable prospect. At the end of the second year resignation was becoming apathy—one no longer thought of the end of the war or foresaw it. And it is so with the economic crisis. The visible reaction against it has decreased as its severity has increased. It will go on, such seems the attitude, till it stops, which is much the same as the attitude that it will go on till we get so used to it that we won't notice it any more.

This parallel must not be carried too far. If the war went on as it did, it was in part due to the highly efficient war machine. War imposed its discipline not only on the soldiers but on the Press and on opinion, a discipline so complete and so unbreakable that humanity has decided to take precautions that it shall not be imposed again. There is no such social discipline in the economic catastrophe. Governments have been apathetic, or fatigued, or appalled at the difficulty of the task before them. Or perhaps they have been persuaded or influenced by the protagonists of the doctrines of *laisser faire* or *laisser aller*—the doctrines of those who believe that the system will right itself, that the crisis has in it the germs of its own remedy. But the unemployed are not likely to accept any such theory as other than comfort so cold as to be rejected.

And the employed will not accept it either, for it contains for them the menace of unemployment in the future. Moreover, the economic experts are no longer on the side of the *laisser faire* theory, in the sense that they realize that it has no longer any practical application in the circumstances of to-day. It is absurd to talk of *laisser faire*, of non-interference with economic laws, when every Government in the world is imposing tariffs. The crisis has come about not because there has been interference but because there has been unwise interference. That being so it is no use saying that the remedy is to interfere no more.

iii. *The International Labour Conference and the Crisis.*

The first step to the solution of the crisis is a determination that it can and shall be solved, and fortunately that determination has found expression in no uncertain form.

The International Labour Conference met in April of this year. It had before it the last report of the Director, Albert Thomas. In that report he examined every phase of the crisis, and for those who want a complete description of it I cannot do better than refer them to that volume and to its predecessor of the year before.[1]

The Conference had a number of highly important items on its agenda, but it rapidly became apparent that its main preoccupation was the general situation set out in the Director's Report. The previous year the Director's Report had already dealt with the crisis and had given rise to a long and interesting discussion,[2] from which it emerged that there

[1] Reports of the Director, 1931–1932, International Labour Office, Geneva.

[2] For an analysis of this discussion, see *Unemployment as a World Problem*, Chicago University Press.

was general agreement that the solution could only be sought by international action, and that that action lay in financial and economic fields to which the competence of the International Labour Organization did not extend. The Conference therefore contented itself with a rather vague resolution asking the Office to examine the action which the Organization might take to remedy unemployment and its consequences.

This year the temper of the Conference was very different. The Workers' Group put forward a resolution in which, after drawing attention to the fact that the severity of the crisis had increased, they formulated a definite plan of action and demanded that it be given immediate effect. As both the language and the substance of the resolution are of considerable significance, it is worth while quoting the essential passages in full:

'Whereas the general economic crisis from which the world is suffering has continued to grow in severity and is at present the cause of the unemployment of at least 25 million workers;

'Whereas the increasing falling-off in industrial activity, if it continues, must eventually enhance still more the suffering and privation which afflict the unemployed and also threaten the workers in employment;

. . . . . .

'Whereas the economic and financial bodies of the League of Nations have, through the work of their experts, succeeded in reaching solutions which have been sufficiently worked out and only await decisions;

'The International Labour Conference solemnly calls upon the Council of the League of Nations and all the Nations themselves to unite in endeavours to find the road to general prosperity, by means of international decisions, and

'With this object in view requests:

'(1) That a meeting of plenipotentiary delegates should be immediately convened with instructions to draw up a list of big international works, to make the necessary financial arrangements for them, and to have them put in hand without delay;

'(2) That, at the forthcoming Conference at which the problem of reparations and other international political debts is to be again dealt with, the League of Nations should intervene, in virtue of the authority conferred upon it by Article 24, paragraph 1, of the Covenant, and impress upon the parties immediately concerned the urgency of a final settlement and the necessity of ensuring that this settlement is in harmony with the general interests of world economy;

'(3) That in connexion with that Conference a meeting of plenipotentiaries of all States should be convened to settle the general problems of currency and credit and to institute an international monetary system possessing the necessary qualities of stability; and

'(4) That an international Conference on production and international trade should be convened, comprising plenipotentiaries with instructions to draw up, with the help of delegates from the most representative organization of employers and workers in each country, draft conventions to be immediately submitted for ratification by the States, with a view to a resumption of economic stability, on the basis of broad concerted plans taking into consideration the gradual and systematic increase in the consumption of the masses and the regular extension of international trade.'

Thus the resolution constituted practically a summons to the League to proceed to action on the basis of a comprehensive programme including four definite points: (*a*) the putting in hand of international public works; (*b*) intervention by the League in the questions of debts and reparations; (*c*) the calling of a monetary conference with power to take decisions; and (*d*) the calling of an economic con-

ference composed of plenipotentiaries, i.e. which should not be merely of an advisory character.

To anyone familiar with the proceedings of the International Labour Conference, and in particular with the caution and propriety with which it has dealt with questions outside its immediate competence, this resolution both in its form and its substance was little short of revolutionary. Moreover, the summons to the League to assert its rights under Article 24 of the Covenant and to intervene *de droit* at the projected Lausanne Conference implied a criticism that all the powers available had not been used.

It might have been expected that such a resolution would have received a cold reception and that it would have served only as an opportunity to enable the workers to express their impatience, and would then have been beaten by a comfortable majority of Government and employers' delegates. Such, however, was far from being the case. It soon became apparent that in substance it expressed the underlying preoccupations of the Conference as a whole. The Government delegate of the Irish Free State, Professor O'Rahilly, whose speech was referred to by the Director in his reply as having represented the general spirit of the Conference, after having referred to the previous year's discussions, said:

> 'Millions who have not studied our constitution and who do not understand its limitations, assume that we are going to do something. They are asking what is to be our action. They are not interested in our studies and researches and statistics; they are not even interested in our Conventions. Here, those of us who know our constitutional limitations tell us that we cannot act; that any action of immediate effect must be in the economic, financial, and political fields, which are closed to us. I agree, but if we ourselves cannot act we can at least give a call to action.

After all, we are the only body through which millions of workers can speak; we are the only organization which can expose their plight and voice their demands to those bodies for whom action is possible. . . .

'It is surely monstrous to argue that we here should be confined to fixing the niceties of employment when the real problem is that employment is ceasing to exist. Unless we are going to allow this Organization to sink into ineptitude, we must demand instant action by the League—action, I say, not mere studies and statistics. We must ask the League to summon International Conferences on the economic problem, on the financial and monetary problem, and on the problem of international public works, and we must urge that these should be Conferences of plenipotentiaries and not advisory Conferences whose advice will be transmitted from sub-committee to committee, from committee to Conference, from Conference to Council, until nothing whatever is done.'

iv. *A Call to Action.*

Although the general sentiment of the Conference thus became clear it was difficult for Governments to vote for the resolution as drafted and it was certainly doubtful whether, for instance, any of them would take the responsibility of declaring their formal acceptance of the workers' interpretation of Article 24 of the Covenant.[1]

When the resolution came before the plenary Conference, M. Jouhaux intimated that if the language of it was considered unsuitable he would not be opposed to amendments of form. Professor O'Rahilly then introduced an amendment which amounted to a redrafting of the whole resolution. He said:

[1] The Irish delegate, Professor O'Rahilly, defended this interpretation in the speech quoted above.

'There are three essential ideas in the resolution: the first is that of urgency, of a matter brooking no delay. We are not asking for studies to be extended into a post-mortem enquiry. The second idea is that of decision, of definite action; not cold storage by committee after committee and expert after expert. The third is that of adoption by the Conference. . . . I have come to the conclusion that to secure the third point it is necessary to modify the language somewhat. I am in agreement in all essentials with the resolution . . . but I would appeal to the workers to vote for an amendment which has been drafted solely for the purpose of obtaining a large number of adhesions. . . .'

Professor O'Rahilly's amendment left the preamble of the resolution as it stood but proposed to substitute the following text for the remaining paragraphs:

'The Sixteenth Session of the International Labour Conference, composed of representatives of Governments, employers, and workers, requests the Secretary-General[1] to draw the attention of the Council of the League of Nations and of all the Members of the International Labour Organization and of the League of Nations to the considerations set out above and to the necessity of endeavouring to restore general prosperity by appropriate decisions.

'The Secretary-General is requested more particularly to bring to their attention the following suggestions:

'(1) That Government delegates duly authorized to that effect should as soon as possible be given instructions to draw up a list of big international works for economic equipment and for national works on a large scale calculated to encourage the general

[1] I.e. the Secretary-General of the International Labour Conference. It should be noted that this was an important innovation deliberately adopted to secure immediate action. All previous resolutions of the Conference had been referred to the International Labour Office for consideration by the Governing Body as to the action to be taken on them.

development of the economic situation of the countries concerned, to make the necessary financial arrangements therefor and to have them put in hand without delay;

'(2) That, in order to help in securing a final settlement in harmony with the general interests of world economy—a settlement the necessity of which is of ever-increasing urgency—the League of Nations and the International Labour Organization should be invited to the forthcoming Conference which is to meet at Lausanne to settle the problem of reparations and other international political debts;

'(3) That States should take joint action to settle the general problems of currency and credit and to lay the foundations for an international monetary system possessing the necessary qualities of stability;

'(4) That the problem of production and international trade should be examined by Governments in collaboration with delegates from the most representative organizations of employers and workers in each country, for the purpose of concluding, in a severely practical spirit, such international Conventions as will ensure the resumption of economic activity, on the basis of broad concerted plans, taking into consideration the gradual and systematic increase in the consumption of the masses and the co-ordinated extension of international trade.'

It will be seen that this amendment in no way altered the original sense of the resolution. The programme of action remained, and although the reference to Article 24 of the Covenant was dropped, the new wording if anything only served to strengthen the note of urgency.

The vote gave a surprising result. The amendment was adopted by eighty votes against one, and the eighty votes cast for it included those of twenty-six workers' delegates, three employers' delegates, and the Government delegates of no less than thirty countries, namely, Germany, Australia,

Belgium, Brazil, Bulgaria, Chili, China, Cuba, Denmark, Spain, Esthonia, Finland, France, Greece, Guatemala, Hungary, Irish Free State, Italy, Latvia, Lithuania, Luxemburg, Mexico, Norway, Holland, Poland, Sweden, Switzerland, Czechoslovakia, Uruguay, and Yugoslavia.

It is noteworthy that this list is by no means confined to small Powers. It includes Germany, Spain, France, Italy, Poland, and Czechoslovakia. It includes in fact all the Great Powers present at the Conference with the exception of Great Britain, which abstained. It may be noted also that the employers' group did not vote against. Only one employer cast his vote in opposition, three employers voted for, and the remainder of the group abstained.

If one looks at the proceedings of previous Conferences and at the nature of the resolution, this result must be regarded as remarkable. The Conference seemed to have risen to a consciousness of its corporate responsibility in the face of the crisis, and to have courageously fulfilled the duty which that responsibility implied. It felt it to be its essential task to call, with all the urgency and insistence at its command, the attention of the League and of Governments to the social aspects of the crisis. And it did it as we have seen by an overwhelming majority and in no ambiguous terms.

It might have been expected that such definite and unprecedented action would have been the subject of wide interest and comment. But so great was the apathy of which I have spoken that it obtained little or no publicity. However, the effect of a resolution of that kind is not ended with its adoption. It has been sent, as its terms demanded, to the League and to the Government Members of the League, and sooner or later they will be asked to render an account of the action taken on it.

v. *The Decisions of the League.*

On the 24 May it came before the Council of the League. It can hardly be said that the Council displayed the same sense of urgency as had moved the International Labour Conference. In spite of an effort by Mr. Séan Lester, the representative of the Irish Free State, to secure, as a first practical step, an immediate consultation of the League's Financial Committee, the Council contented itself with a resolution referring the whole matter to the Assembly. The terms of that resolution are of some interest in the light of subsequent events. They are as follows:

> 'The Council,
>
> 'Having considered the resolution adopted by the International Labour Conference at its sixteenth session with reference to the economic and financial crisis:
>
> '(1) Refers the resolutions of that Conference to the Assembly;
>
> '(2) Requests the Committee of Enquiry on Public Works and National Technical Equipment to accelerate its proceedings;
>
> '(3) Declares that the various League Organizations will be at the disposal of the Lausanne Conference, should the latter express a desire for their assistance;
>
> '(4) Decides to lay before the Assembly the question of the summoning of a World Conference to consider the problems of production and international trade, with a view to the conclusion of international conventions designed to bring about a resumption of economic activity, and to request the Secretariat to make the necessary preliminary investigations.'

This resolution, far from fulfilling the desires expressed by the International Labour Conference, was rather an example of the very attitude of temporization or timidity which the Labour Conference had hoped would be aban-

doned, and the action, or rather inaction, of the Council undoubtedly gave rise to acute disappointment in the labour world.

Next came the Conference of Lausanne. The Governments which attended that Conference, or rather those that were responsible for the decisions taken at it, had of course all received the Labour Conference resolution. In deciding to ask the League to call a world economic and financial conference they were giving satisfaction to two of the desires expressed in the resolution of the Labour Conference. But it would seem that they were far either from understanding, or from wishing to give effect to, its spirit. Their decisions provided for a preparatory Committee of their own nominees, to which six experts appointed by the League were to be added who would be accompanied by the heads of the Economic and Financial Sections of the Secretariat. No provision was made for any representation of the International Labour Organization or for assistance to be rendered by the International Labour Office.

Immediately after the Lausanne Conference the Council of the League was called together urgently to consider the Lausanne proposals. At that meeting of the Council it was decided to convene an economic and financial conference, although, as we have seen when some weeks previously it had had before it very similar proposals from the International Labour Conference, it had decided that it could not act on them and had then decided to refer them to the Assembly. It is clear, of course, that there had intervened a fact of great political importance, namely, the decision of the Lausanne Powers in favour of the calling of such a Conference, and this no doubt explains the Council's change of front. During the discussion at the Council the question

of the representation of the International Labour Organization in the preparation of the Economic Conference was raised by the Director of the International Labour Office, and strong support was forthcoming from practically all the Council Members in favour of such representation being secured. It was finally left to the Organizing Committee appointed by the Council to endeavour to settle the matter with the Lausanne Preparatory Committee.

vi. *The Claim of the International Labour Organization to Representation.*

It is only possible to set out this series of decisions very briefly, but a word must be said as to the importance of the issue involved. It may be asked why should the International Labour Organization claim to be represented in the Preparatory Economic Committee? What contribution does it consider it can bring to the solution of problems admittedly outside its competence? Would it not be enough to call the Organization into consultation if and when, say, unemployment was being discussed?

The first answer is that the crisis and unemployment are interchangeable terms. The discussion of financial and economic measures is not urgent (in present circumstances) unless it is with a view to diminishing unemployment.

Unemployment is a disease of the world's economic system—in fact in its present dimensions and seriousness disease is too mild a term, it is an attack of the plague. The financial and economic experts are, if you will, the doctors. But we have not yet reached the stage in which individual rights and liberties have disappeared to such a degree that it is usual for doctors to operate without consulting the patient. In other words, the workers have a right to be

consulted about all the measures which it may be proposed to take because it is they who will suffer or benefit from the consequences. A similar argument applies as regards the employer, that is the employer *qua* employer of labour, not the employer as the owner of the capital invested in the equipment of production. It is he who will be directly confronted by industrial unrest if economic settlements give rise to it. And since it is not possible to give representation to all employers and all workers, it is fortunate that the International Labour Organization exists through which their views can be authoritatively expressed. It may be added that it is an advantage that that Organization includes Governments also, and is therefore in a position to synthetize the views of those governmental administrations which deal with labour problems.

It may be said that this is a good theoretical case. But what contribution could the International Labour Organization really make that would be of value?

In reply it may be pointed out that it has made a contribution. The resolution of the Labour Conference is itself a contribution of outstanding importance. It is only reasonable to suppose that the body which has proved capable of drawing up a programme which has successfully escaped international criticism might possibly be capable of helping forward its concrete achievement. And this argument is strengthened if we appeal to the past history of the League's economic efforts. The last World Economic Conference was directly due to the initiative of the International Labour Conference.[1] The Organization was represented in the Preparatory Commission and made a

[1] See 'Progress and Problems of the International Labour Organization' in *Problems of Peace*, Second Series.

*

valuable contribution to its work, so much so in fact that it was given representation in the Economic Conference itself. Thus there is precedent for the claim which is now put forward.

But there is another kind of contribution which is too often ignored—what I may call a negative contribution. Solutions may be considered at the Preparatory Committee, remedies or supposed remedies may be discussed which have direct social consequences, and it is surely elementary wisdom to have present people who will call attention to the results which may follow from any such action, people who can utter a warning against proposals which may seem mechanically or theoretically workable but which would defeat their own objects in practice. It should not be forgotten that there is a body of opinion which holds that the way out of the crisis is to reduce wages and what are called social charges. It is quite possible that proposals of this kind may be seriously put forward. Economists are, I think, in the majority, opposed to them, but let us assume that they were unanimous in thinking them sound. The crisis, however, cannot be solved in terms of abstract economic theory, and would it not be as well that the Committee should be told with authority what the consequences of any such action were likely to be? It would be no remedy for the crisis to apply a solution, however perfect in theory, which would plunge the world into unrest and revolt.

And then there is the psychological side of the problem. One element in the crisis, we are constantly being told, is lack of confidence. That implies that any remedies proposed or employed must be such as to secure confidence, and that means not the confidence of the experts who invent them in the correctness of their own knowledge and reason-

ing, but the confidence of the world at large, and, in particular, the confidence of those whose interests, and even whose lives, will be directly affected. Is there any better way of securing that confidence than that of consultation with the authorized representatives of the people in question?

Moreover, this question of confidence has a definite practical implication. Any international arrangements arrived at will not be effective unless and until they are ratified by the different countries, and ratification can only be secured if the proposals have the backing of public opinion. Ratification will be endangered, and the whole settlement therefore become possibly inoperative, if there is definite opposition from powerful organizations. There is therefore a real practical utility in associating those organizations with the formulation of the decisions in question.

This is one reason why the Labour Conference resolution insisted on the collaboration of the most representative organizations of employers and workers in the Economic Conference, and in the preparatory work the most natural method of securing such collaboration is clearly through a representation of the International Labour Organization.

I think I have answered my third question, namely, as to whether it would not be enough to consult the International Labour Organization if unemployment (in the narrow sense) was discussed. But I will answer it more directly. Unemployment (in the narrow sense, i.e. as a purely labour problem) should not be discussed at all by the Preparatory Economic Committee. There is only one international body with legal and expert competence to discuss unemployment as a labour problem, and that is the International Labour Organization. And it has discussed it for twelve years (without waiting for the present crisis)

and has taken or is taking every action for which it is competent. It would simply be waste of time and overlapping. The business of the Preparatory Economic Committee is to discuss the *remedies* for unemployment, and the opinion may be ventured that it will find it has enough to do in its own field.

vii. *The Reduction of Unemployment by Shortening Hours of Work.*

Any discussion of the social aspects of the crisis, however brief, should not omit mention of one proposed remedy for unemployment which lies within the competence of the International Labour Organization itself, and that is the shortening of hours of work. The last session of the Labour Conference, after having adopted the resolution which has been discussed above, adopted another resolution in which it urged that unemployment had now reached a stage at which it could no longer be regarded as merely one of the effects of the depression but must be considered as one of the causes which aggravate it. The Conference therefore decided that a policy of wage reduction must be condemned, and that the means of restoring equilibrium between a disproportionately increased capacity of production and an insufficient capacity for consumption, must be sought in the reduction of hours of work and the distribution of available work over a larger number of persons. The Conference accordingly invited the Governing Body to investigate the question of the legal institution of the forty-hour week in all industrial countries with a view to the early adoption of an international convention.

Here again the Conference may be said to have acted

with an almost prophetic sense. In recent months the movement for a forty-hour week has made extraordinary progress. Not only has it been formulated on all sides as a Trade Union demand but it has been put forward by a number of employers and has been increasingly the subject of serious attention by the Governments of great industrial States such as Germany, Czechoslovakia, and Belgium. In the U.S.A., the Press reports that President Hoover has been seriously considering the institution of a five-day week. So fast have things moved that it has been decided to call a special meeting of the Governing Body in order to consider a proposal of the Italian Government[1] to convene an extraordinary session of the International Labour Conference to examine the question of the reduction of hours of work by international agreement.

It will of course be urged that this is a hopeless proposal, given the relative non-success of the forty-eight-hour convention adopted at Washington twelve years ago. But here it is important to make a distinction. The Washington Convention was adopted in order to secure for the worker a certain reasonable leisure, the leisure which was necessary not only on humanitarian grounds but to enable him to fulfil his duties as a citizen. The forty-hour week proposal is based on exactly the opposite grounds. It is based on the grounds that too many workers have too much leisure. It is based on the grounds that the over-rapid mechanization of industry has thrown so many men out of work that the machines must be made to work less hours so that men may work more.

It is sometimes argued that the reduction of hours will

[1] The Governing Body is to hold a special meeting for this purpose on 21 September.

not affect unemployment; that you do not employ more men in a factory if the factory works forty hours and not forty-eight. That, however, is not always true. For instance, in industries where shifts are worked, if the reduction of hours makes necessary the introduction of an additional shift, more men will be employed. Again, if a factory is working at full production forty-eight hours a week, and if the hours are reduced to forty (assuming the rate of production to remain the same), then one-sixth of its production will go to factories working at less than full production and more workers will have to be employed there. Moreover, the distribution of the shortened hours can be so arranged as to lead to more permanent employment in the same establishment. Take, as an example, a factory employing six men and working six days per week of eight hours each, i.e. forty-eight hours a week.

If the hours are reduced to forty per week, and the eight-hour day maintained, the six men would each work five days a week, and the factory would be closed on the sixth day in each week. It would clearly be an impracticable proposal to take on six extra men for one day in the week.

If, however, the hours are reduced to *an average* of forty per week, the eight-hour day being maintained, a different result may be obtained. If, for example, each man works thirty-two hours one week and forty-eight hours the next, this will mean that each man will be off for two days in each alternate week. If these absences are spread evenly over the six workers one man will be away every day. The method can be easily represented by a diagram. A, B, C, D, E, and F are the six workers, and the following table shows the days on which they work.

	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
First week ..	A	A	A	A	A	A
	B	B	B	B	B	B
	C	C	C	C	C	C
	D	D	D	D	—	—
	E	E	—	—	E	E
	—	—	F	F	F	F
Second week ..	A	A	A	A	—	—
	B	B	—	—	B	B
	—	—	C	C	C	C
	D	D	D	D	D	D
	E	E	E	E	E	E
	F	F	F	F	F	F

It will be seen that there is a place for an extra worker each day, and hence the factory can employ one extra man continuously. The system is obviously susceptible of innumerable variations according to the period over whch the distribution is arranged.

Thus it is clear that the shortening of hours of work can be applied in such a way as to diminish unemployment. But undoubtedly difficulties may be anticipated in the effort to secure the general adoption of systems similar to those outlined above since the question of wages inevitably arises.

The effective application of the proposals contained in the Conference's resolution implies the shortening of hours without a proportionate reduction of wages, in order that consuming power may be increased, and it is easy to imagine

circumstances in which the employer might find it impossible to pay the wages of an increased number of workers while the rhythm of his production remained the same. A discussion of the economic and financial problems involved is not here possible, but systems of the kind described have in fact been put into operation with success and the fact that a special meeting of the Governing Body has been called shows that the International Labour Organization does not shrink from the examination of the difficulties which may be involved, and that it is willing to make every effort in its own field to deal with the crisis.

viii. *Conclusion.*

The institution of a shorter working day or week, whether as a temporary measure in view of the crisis, or as a permanent measure because of the over-rationalization or over-mechanization of industry, is clearly a step which may involve economic and even financial implications. It is primarily a problem for the International Labour Organization to deal with, but in view of its relation to the crisis and the complications it involves it is also a problem which may be raised at the Economic Conference. It constitutes therefore a further reason in favour of the collaboration which has been urged above.

In our modern democratic civilization and more particularly in its present state of disorganization, economic and financial settlements are inconceivable as merely technical operations. They must of necessity take account of political issues, of the views of interests affected, and above all of the social consequences which will ensue, otherwise our solutions may be no solutions at all.

The social aspects of the crisis are therefore not secondary

matters which can be dismissed, as they too often are, as of less importance than the highly technical economic and financial aspects which somehow secure greater publicity and attention, nor can their introduction into the discussion be regarded as irrelevant.

The social aspects of the crisis, the real crisis as I have called them, are no less terrible in their consequences than the Great War. They are in a sense more tragic. The man who was killed by a bullet or a shell was told and believed that he was dying in a noble cause; for him was reserved a hero's grave and his country's gratitude. For those who die in the present catastrophe there is only the disgrace of a pauper's burial.

Out of the Great War came the League of Nations and the determination of mankind that war must henceforth be banished from the habits of all civilized nations. Is it too much to hope that out of the present catastrophe may come a similar determination so to organize our economic life that the shame and despair which is now the fate of millions shall never return?

CHAPTER VI

THE DISARMAMENT RESOLUTION OF JULY, 1932

by

W. ARNOLD FORSTER

Author of 'The Disarmament Conference', etc.

I PROPOSE to take as text for this paper the Resolution with which the Disarmament Conference ended the first phase of its work on the 23 July.[1] It is important that we should appreciate the situation created by this Resolution. For although it is a short step forward its defects aggravated the political situation and bring nearer the danger of disastrous breakdown. The failure of the Conference—or rather, the failure of a few States at the Conference—to agree upon any more appreciable step towards disarmament is a menacing fact: and it will render even more difficult than hitherto that full international collaboration, with Germany as a partner, which is indispensable for the successful conclusion of a General Convention for World Disarmament.

It is important, at the outset, to understand how the Resolution came into being. It was the outcome of private discussions between the delegates of three Great Powers—Britain, France, and the United States—with the collaboration of M. Beneš of Czechoslovakia as Rapporteur. Doubtless outside influences were made felt during these discussions, especially on behalf of a group of eight smaller Powers,

[1] League of Nations, Conf. D. 136.

including Spain and Czechoslovakia. But the responsibility rests with the British, French, and American delegations, who negotiated it in secret and only showed it to the Italian delegation at the last moment. These three Powers treated it as being (to quote the American delegate) 'a complex series of interrelated concessions' between themselves, which must stand or fall as a whole: and on this ground they discouraged any adequate discussion of it, opposed any amendment, and got it put through, with only one small change, by a majority.

i. *Part I: Two General Principles.*

(*a*) THE GENERAL CASE FOR DISARMAMENT.

The first Part begins with a summary of the general case for some disarmament—that case which I dare say you are accustomed to summarize, as I do, with the three words *pledged, burdened, endangered.* The Resolution recalls that the economic and financial burdens due to the labour and expenditure on armaments are a heavy burden weighing down the world whilst it is struggling towards economic recovery. Last year, in a time of unparalleled economic crisis, the nations spent on armaments, mostly for a war which they have sworn not to fight, a sum equal to one gold pound for every minute since the birth of Christ.

Besides being heavy, the burden is relatively modern. In my lifetime, for instance, it has increased to an extraordinary extent; and it is certain that this burden will quickly grow still more gigantic unless the growth is checked now by this Disarmament Conference.

The Resolution refers also to the world's grave danger from 'competition in the power of armaments'—competition

not only in the quantities of armaments but also in their type. Since the war ended the most shattering armaments of 1918 have been far out-classed in destructiveness.

As for our disarmament pledges, the only reference is that contained in this sentence:

> 'Firmly determined to advise a first decisive step involving a substantial reduction of armaments, on the basis of Article VIII of the Covenant of the League of Nations, and as a natural consequence of the obligations resulting from the Briand–Kellogg Pact.'

Note, first, that in these words even the least progressive Governments have formally declared their firm determination to achieve a substantial reduction of armaments as a first step. As the President, Mr. Henderson, said in his final speech, the peoples are entitled to recall this declaration and to hold their Governments to it. No allusion is made, unfortunately, to the special assurances given to Germany and her associates in 1919. I need not remind you of the 'Clemenceau letter' sent to the Germans on behalf of 'the Allied and Associated Powers' in June, 1919, or of the famous opening words of the Disarmament chapter of the Peace Treaties: 'In order to render possible the initiation of a general limitation of the armaments of all nations, Germany undertakes . . .'

But, since it is often supposed that the United States had no part, legally or morally, in imposing the one-sided disarmament on Germany or in giving her special assurances about it, perhaps it is worth while pointing out in passing that President Wilson was one of the parties to the 'Clemenceau letter': then the United States Government, though of course it did not ratify the Versailles Treaty as a whole,

did sign and ratify a separate peace Treaty with Germany which explicitly claims for the United States all the 'rights and advantages' of certain sections of that Treaty, including the whole of the Disarmament chapter, and which also declares that the United States, in availing itself of those 'rights and advantages', will do so 'in a manner consistent with the rights accorded to Germany' under that chapter.

(*b*) THE HOOVER PROPOSALS.

Having thus summarized part of the general case for some disarmament, the Resolution goes on to express cordial welcome of the proposals of President Hoover, expressly recording that they involve 'prohibition of certain methods of warfare, abolition of certain material, and reductions varying in magnitude and amounting for certain armaments to the proportion of one-third'. The text only alludes to other proposals that were made at the Conference, some of them more precise and more far-reaching than those of Mr. Hoover. But it is not surprising or inappropriate that the American proposals should receive this special emphasis. For those proposals did undoubtedly give new life to the Conference at a time when its life seemed to be at a low ebb.

(*c*) TWO PRINCIPLES.

The first Part then concludes with two general propositions, as follows:

The Conference, it says,

'decides forthwith and unanimously, guided by the general principles underlying President Hoover's declaration:

'(1) That a substantial reduction of world armaments shall be

effected, to be applied by a general Convention alike to land, naval, and air armaments;

'(2) That a primary objective shall be to reduce the means of attack.'

Both these statements of principle are, I think, sound and valuable so far as they go.

In the first of the two sentences the Governments concerned again commit themselves in principle not merely to limitation but to 'substantial reduction'. The armaments in question are to be 'world armaments', not merely those of one group of Powers alone. The reduction is to be applied by a 'General Convention', not by a one-sided Treaty like that of Versailles: unlike the naval treaties of Washington and London. Land, sea, and air weapons are rightly treated as interdependent, and general disarmament is rightly treated as a common interest of all nations.

The second of the two sentences, declaring that 'a primary objective shall be to reduce the means of attack', is a reaffirmation of that principle of 'qualitative disarmament' which has been a notable feature of this Conference since its beginning.

There is good reason for this. For the Conference, rightly or wrongly, was not seeking 'total disarmament forthwith', but piecemeal progressive disarmament. And this must begin somewhere. On the one hand, armaments may be reduced in numbers, e.g. by a uniform proportion of one-third: on the other hand, certain arms may be selected for abolition or specially drastic treatment. Both methods were applied in the Peace Treaties. Both should be applied now. For the object of the whole effort is, not merely to save money or make preparation for war cheaper, not only to honour the pledges that are still, after thirteen years,

unfulfilled, but above all to reduce the danger of war by reducing the danger of sudden fully equipped attack. Much nonsense has been talked during the Conference about 'offensive' and 'defensive' weapons: it has been pointed out with obvious truth that a gun will seem 'offensive' or 'defensive' according to one's position at this or that end of it, and that an English cruiser patrolling the North Sea was at once 'offensive' to the Germans whose commerce it helped to throttle, and 'defensive' as well as 'offensive' from the standpoint of the English. But that does not mean that 'qualitative disarmament' is based on a fallacy. If we are to disarm piecemeal, by stages (as I think we must), then it is perfectly reasonable and practicable to do so partly by discriminating against particular armaments. And this discrimination may be based not only on calculations as to which weapons can be most easily and reliably restricted: it may be based also on calculations as to which weapons are most likely to facilitate a sudden smashing attack.

I suggest then that President Hoover was right in saying that the reduction to be achieved by the Conference 'should be carried out not only by broad general cuts in armaments but by increasing the comparative power of defence through decreases in the power of the attack'. And the Resolution is right in saying that 'to reduce the means of attack' is to be 'a primary objective'. If we can get rid of these we reduce the danger of the gambler's last desperate bid for power.

. . . . .

So much for the text of Part I of the Resolution. But it is not enough to affirm admirable principles; they must be adequately applied. And here, in the application, the rest of the Resolution is, I believe, inadequate, prevaricating,

and dangerous: it fails inexcusably to fulfil the promise of Part I, not only ignoring but even stultifying some of the principles there laid down.

Before the vote was taken, the Russian delegate made this point in a withering criticism of the whole Resolution and moved an amendment. Once again, as so often before, private negotiations between a group of States had proved fruitless. The Soviet Government had proposed total general disarmament; failing that, it had proposed proportional reduction by 50 per cent for the most powerful States, with lesser reductions for the weaker, and exemptions for the partially disarmed States. This principle of proportional reduction, he said, had received increasing support, and now found place in President Hoover's proposal for a cut of $33\frac{1}{3}$ per cent. Well, why didn't the Conference accept that, here and now, instead of merely 'welcoming heartily' the President's 'initiative' in making the proposal? He couldn't accept the American view that a part of each army, a so-called 'police component', should be exempted from this reduction; but he did propose that the States with very small armies and those already drastically disarmed under the Peace Treaties should be exempted.

This was put to the vote[1] first. Thirty voted for keeping the Resolution as it stood. Five voted against. No fewer than sixteen abstained from voting, including Italy, Norway, Denmark, and the Irish Free State.

The first part of the Resolution was then adopted.

[1] The vote was taken in a curious way. The standing orders of the Conference make no provision, it seems, for the voting on an amendment which substitutes one text for another: they provide only for the case of a proposed deletion. The President ruled that the two cases must be treated alike: so instead of voting on the Russian amendment itself the Conference had to vote on retention of the original text of the Resolution.

ii. *Part II: The Five Conclusions.*

Then follow the five 'Conclusions of the First Phase of the Conference'.

I. AIR FORCES.

The Versailles Treaty dealt simply and decisively with the air weapon. All naval and military aviation was prohibited. Civil aviation was allowed, under certain minor restrictions. The Draft Convention, prepared by the Preparatory Commission, contemplated only a very imperfect limitation (viz. limitation of numbers and total horse-power of aeroplanes, and of number and total volume of dirigibles).

In the Conference, Spain, Russia, Germany, and others proposed that the Versailles plan should be applied all round: 'Scrap the lot.' Others, such as Italy and the United States, proposed more or less drastic measures for the prohibition of bombers and of the act of bombing. France proposed, not abolition, but transfer of heavy bombers to the League, for an international bombing squadron, coupled with internationalization of civil air transport. And Britain, following France in this respect, proposed that the act of bombing should be prohibited except in areas to be defined.

Now turn to the Resolution itself. After expressing deep concern at 'the danger overhanging civilization from bombardment from the air in the event of future conflict', it records two conclusions:

> 'First,—Air attack against the civilian population shall be absolutely prohibited;
>
> 'Secondly,—The High Contracting Parties shall agree as between themselves that all bombardment from the air shall be abolished, subject to agreement with regard to measures to be

adopted for the purpose of rendering effective the observance of this rule. These measures should include the following:

'(*a*) There shall be effected a limitation by numbers and a restriction by characteristics of military aircraft.

'(*b*) Civil aircraft shall be submitted to regulation and full publicity. Further, civil aircraft not conforming to the specified limitations shall be subjected to an international régime (except for certain regions where such a régime is not suitable) such as to prevent effectively the misuse of such civil aircraft.'

The Resolution, you observe, does not stand for abolition of the entire weapon: it does not even stand for abolition of the bombing weapon, as President Hoover proposed; it stands only for partial prohibition of the act of bombing, subject to agreement upon certain disputed issues. I think the layman, on reading the text, would suppose that the intention was to prohibit *all* bombing from the air provided that agreement on certain points can be reached. But the French text makes the real meaning plainer than the English. The High Contracting Parties, it says, 'S'engageront *à abolir entre elles* tout bombardement aérien,' etc. . . . The agreement is to be a special one between a group of States, and these States will agree to abolish *as between themselves* all air bombardment. But they will retain the right to go on bombing native villages in the territory under their rule or their own civilians if they cease to be civil.

I know that a very strong technical case can be made out for the use of air bombardment for the 'policing' of territory otherwise difficult of access: it can be claimed that this is a very cheap, relatively bloodless, and supremely efficient means of achieving—well, all that terror can achieve. But for my part I hope that public opinion will condemn

the retention of the weapon and the training for this purpose as being politically shortsighted even if it is still regarded as morally tolerable.

Perhaps I am wrong about the interpretation of the text. I hope so. But whichever interpretation is correct, the Resolution remains open, I think, to the gravest objection from the standpoint of disarmament.

'Air attack against the civilian population shall be absolutely prohibited.' I must not stop now to discuss whether that pre-war creation, the 'civilian population', would be recognizable in another great war; or *should* be safeguarded by special rules. If there is to be bombing of military objectives, such as transport centres and munition works, civilians as well as soldiers will suffer, directly as well as indirectly. The French proposed that air bombing should be prohibited 'except on battlefields and the ways of access thereto'; but any such notion ought surely to be scorched up by one burning comment made by the Belgian authority, Senator de Brochère. 'My country', he said, 'happens to be just about the size of a battlefield.'

The business of a Disarmament Conference is not to make rules for the polite conduct of war. Its purpose is to help in the prevention of war. To abolish all naval and military aviation—that would be a great gain. To abolish all military aircraft capable of bombing—that would be a big thing, though the division between bombing planes and others may well prove difficult to make secure. But merely to prohibit the act of bombing, by an agreement subject to the condition of reciprocity, whilst keeping in being the bombs, the practice, the research, and the military aircraft for bombing—that would be no better than a device to mask betrayal of the real purpose of disarmament.

It remains to be seen whether the authors of the Resolution do mean so to limit the numbers and characteristics of military aircraft as to abolish the bombing weapon. This was the point of an amendment moved by the Russian delegation. Since there seemed to be no chance of getting agreement on their own proposal for total abolition of naval and military aviation, they repeated the proposal of President Hoover. 'The High Contracting Parties agree' (so the amendment said) 'to the complete prohibition of all aerial bombardment and the total abolition of all bombing aircraft.' Again the amendment was voted down, this time by twenty-nine against nine, with twelve abstentions.

Thus the American delegate, tied by his private agreements with the British and French, had to cast his vote against the precise proposal of President Hoover. 'The discussion in the General Commission', Mr. Gibson explained, 'had revealed that a large group of delegations were at once prepared to abolish bombardment aviation and prohibit bombardment from the air. However, in the intensive consultations which had gone on during the past few weeks (with Britain and France) 'it had been found that certain States had genuine difficulties still to surmount before they were in a position to agree to those measures.'

So the Resolution stands unamended, a wretched thing. But there is still time to get something much better. What should we work for? I suggest that the one really adequate measure would be the total abolition of naval and military aviation, coupled with internationalization, or the fullest international control of civil aviation so as to prevent its abuse. I realize that this would necessitate some far-reaching changes of policy by the great Imperial Powers, and that this part of general disarmament would encounter

special technical objections unless it were accompanied by certain other measures such as abolition of the submarine. But my belief is—and yours too—that mankind must make a huge effort to master this Frankenstein.

Failing total abolition, we ought to press for abolition of all military planes capable of effective bombing. That implies a very low level of tonnage and seating capacity, such as the Italians proposed, as well as a low limit of numbers.

2. ARTILLERY.

The Versailles Treaty abolished all mobile land artillery above four inches and drastically limited the numbers of guns to be retained within this limit (208 field-guns of not more than 77 millimetres, and 84 howitzers of not more than 105 millimetres, i.e. about 4 in.). There was, however, no limit to Germany's expenditure.

The Draft Convention, on the contrary, said not a single word about direct limitation of any of the material of land war: the signatories were to be free to have just as many guns, of any calibre, as they might choose. But there was to be an indirect limitation by limiting expenditure on the material of land war.

When the Conference met, it became evident that that absurd position could not be maintained. Some proposed that all artillery above 4-in. calibre should be abolished, as in Germany's case. Others, including Britain and America, put the limit at 6·1 in. (155 millimetres); others put it higher still, e.g. at 220 millimetres.

The Resolution is an extraordinary compromise, reached only at the last moment after the rest of the Resolution had been circulated. It prescribes limitation of numbers for

heavy land artillery between an unspecified maximum calibre and an unspecified minimum calibre. If this minimum were to be a high one, such as 6½ in., then the limitation of numbers would be deprived of much of its value for disarmament: for the modern technique of artillery bombardment tends, I understand, to favour the use of a lot of comparatively small guns, especially of 6-in. calibre, rather than the use of relatively few large guns.

The Resolution is even worse as regards limitation of calibre. Three categories of land guns are proposed, subject to an effective method being established to prevent guns on fixed mountings from being rapidly transformed into mobile guns. One of these categories is to consist of 'coastal guns', and the maximum calibre for these, whether fixed or mobile, is to be 'not less than the maximum calibre of naval guns'. That means, then, any gun classified as 'coastal' can have a calibre up to 16 in.!

The Dutch and Swedish delegations at once fell upon this text, denouncing it as 'not only weak but dangerous'; and they moved an amendment to replace the whole text by this brief sentence: 'The Convention shall limit the number and maximum calibre of mobile land artillery.'

Again the American delegate was in a difficulty. He explained that the amendment was exactly what his delegation desired to insert in the resolution: it was 'inherently sound': but he must vote against it because that part of the Resolution was part of a 'complicated series of interrelated concessions'.

The amendment was defeated—or rather, the original text was maintained—by thirty-three votes to six, with ten abstentions.

3. TANKS.

Now comes one of the most depressing sentences in the Resolution:

'The maximum unit tonnage of tanks shall be limited.'

That is all. All tanks were abolished in Germany's case. All tanks were to be abolished in the proposals of President Hoover, and this received general support. Britain and France stood out. In April, the British delegate announced, in reply to the American proposals for abolition, that Britain would accept abolition of 'heavy tanks'; but later, when this phrase came to be explained, it was found that the intention was to retain all tanks up to the enormous limit of 20 tons.[1]

The French demanded an even higher figure, viz. 35 tons: in the Land Commission they spoke of 70 tons! All of course for purely defensive use, for such purposes as counter-attack against an invader, or for police purposes, such as the maintenance of order on the North-West Frontier of India.

And so the Resolution, after professing its devotion to the 'concrete proposals' of President Hoover (which would involve scrapping 924 tanks in the United States), proceeds, contrary to the desire of almost all the nations of the world, to propose the retention of tanks up to an unspecified tonnage, and with no limit whatever upon numbers.

[1] Enquiry was made in the House of Commons as to how many tanks over 20 tons Britain possesses. The official reply was that it was not in the public interest to give this information. It is commonly believed that there are some old tanks, over 20 tons, preserved since the war, and also one modern experimental model.

The Russians, again championing the American proposals, moved this amendment:

> 'The High Contracting Parties agree to renounce the possession of any tanks whatsoever and to destroy all existing tanks within . . . months from the coming into force of the convention.'

The Rapporteur replied that, as regards tanks and other particularly threatening weapons, it had not been felt desirable immediately to decide what should be done with them. Thereupon the Russians limited their amendment to 'The High Contracting Parties agree to renounce the possession of any tanks whatsoever.' That too was defeated, by twenty-six to six.

I have not time to give the reasons for my conviction that tanks ought to be wholly abolished. If they are to be retained at all, for what a British delegate called 'ordinary police work in the colonies and elsewhere', the tonnage should be limited to such a maximum as four or five tons, and numbers also should be drastically limited. The Resolution as it stands is, here again, utterly inadequate to the declared wishes of the overwhelming majority of the States represented at the Conference. I cannot pretend that I do not think that the British and French delegations bear a heavy responsibility for their opposition.

4. CHEMICAL WAR.

The Resolution says next that chemical, bacteriological, and incendiary warfare shall be prohibited under the conditions recommended by the Chemical Weapons Committee. That means that the use of chemical weapons in war shall be prohibited, and that appliances for such use shall be 'included in qualitative disarmament', i.e. presumably abolished. The

Committee recognized the need for study of the means of preventing preparation for chemical war, but this has not yet been put in hand. However, a number of delegations declared that they only accepted the present text on the understanding that it would involve measures to prevent preparation in peace-time; and this view was endorsed by M. Herriot.

The Russians suggested that the purpose of this part of the Resolution, such as it was, could be effected much more promptly by the ratification of the old Gas Protocol of 1925 by those States (such as the United States) which have not yet done so. But by this time they had given up as hopeless the attempt to get amendments through. They dropped the amendment and the text was accepted.

5. SUPERVISION.

The fifth Conclusion makes more cheerful reading: 'There shall be set up a Permanent Disarmament Commission', it says, on the lines already outlined in the Draft Convention, 'with such extension of its powers as may be deemed by the Conference necessary to enable the Convention to be effectively applied.'

I am glad the Resolution recognizes the need for strengthening the provisions of the Draft Convention, which are in some respects excessively weak. But the Permanent Commission is likely, if once it gets established, to acquire a position of authority and value, just as the Mandates Commission has done, even though its powers at the outset may be unduly restricted.

It should be noted that ten States, including Germany, Russia, and Italy, did not accept the Resolution and remain unbound by this conclusion about a Permanent Commission.

That does not mean that they are opposed to a Commission: but it appears safe to assume that, as matters stand, they would not support such a Commission unless its creation formed part of a scheme very different and far more radical in its disarmament than any of the preliminary conclusions recorded in this Resolution.

iii. *Part III: The Five Tasks.*

So much for the five Conclusions of the Resolution. Now comes Part III, with the title 'Preparation of the Second Phase of the Conference', which calls on the Bureau to continue the work during the adjournment and lays upon it five tasks.

1. EFFECTIVES.

First, the Bureau is to study President Hoover's proposal about effectives, taking into consideration, in the case of each country, the actual conditions of defence and the number and character of its forces. This is prefaced by the important statement that 'a strict limitation and a real reduction of effectives shall be brought about'. Those words may, I surmise, represent a significant advance in the French position, for at the time when the Draft Convention was formed France stood out for a wording which left her free to accept no more than a nominal limit, without any 'real reduction' at all.

I need hardly say that the Resolution does not resolve this great question. Even on the fundamental question of definition of effectives the Conference has hitherto failed to reach an agreed answer. And the principle of universal compulsory military service, still upheld by France but challenged by Holland and others, remains as a barrier in

the way of real disarmament. Perhaps the liberation of man-power from the armies to the services of life come more slowly than the scrapping of the machines for slaughtering men. But it is the most important part of the whole task of disarmament.

2. EXPENDITURE.

Next, the Conference is to decide when it reassembles what system of limitation and publicity of expenditure on national defence will best serve to lighten the burdens of armament expenditure and to prevent qualitative and quantitative disarmament from being neutralized either by increase or by improvements in authorized armaments. This is to be further worked out, with consideration for 'the special conditions of each State'.

The acceptance of the principle of budgetary limitation is a very great gain: the mere scrutiny of the national expenditures by an international Commission over a period of years will be a potent counter-check against evasion and a valuable means of increasing mutual confidence.[1]

3. TRADE IN AND MANUFACTURE OF ARMS.

Next, a special Committee is to frame proposals for 'regulations to be applied to the trade in, and private and State manufacture of, arms and implements of war'.

You will note that this applies to State manufacture as well as private. This was the only amendment of substance to be accepted.

[1] Note, however, that Germany, who is left free under the Versailles Treaty in this one field of expenditure, has not accepted the present Resolution. And the United States, whilst accepting the principle of limitation of expenditure on material, as a complement to direct limitation, has not accepted the principle of 'global' limitation.

I wish I had time to speak fully of this. To-day's news from Bolivia and Paraguay is yet another reminder of the price of leaving the traffic in death to be exploited for private profit. Four years ago Britain and the United States were trying to stop those two countries from fighting. To-day Britain and the States are again doing the very same thing: but this time Bolivia and Paraguay, bankrupt though they may be, are better equipped for a fight. This time, with borrowed moneys, they have got arms from England and America!

Or again, look almost any day now at the Paris newspapers about the Sino-Japanese conflict. Do you wonder at the attitude of the *Temps* towards Japan, for instance? It is less surprising if you recall that the paper is owned now by the President of the Comité des Forges, which includes the great armament firms of France.

The appalling indictment of the arms traffic which the League's Committee published in 1921 remains true; and nothing has yet been done effectively to prevent those evils. Even the Arms Traffic Convention of 1925, weak though it was, is not yet in force in 1932. Let us do our very utmost to ensure that at last the traffic shall be properly controlled; it will be controlled henceforth much more easily because of the ratios to be fixed by the Disarmament Convention. Let us labour too to ensure that in one way or another the manufacture of arms for private profit shall be suppressed.

4. NAVAL ARMAMENTS.

The Resolution records no conclusion whatever about naval armaments. It merely calls on Britain, the United States, Japan, France, and Italy to try to come to some

agreement among themselves, whilst the other Naval Powers (which include Germany) are invited to 'make arrangements for determining the degree of naval limitation they are prepared to accept in view of the Washington and London Treaties and the general programme of disarmament envisaged in the present Resolution'. The Bureau is to be kept informed of the progress of the parallel negotiations.

I confess I do not feel sanguine about such private negotiations. What ought we to be working for?

Only four countries in the world possess post-war capital ships, viz. Britain, the United States, Japan, and Germany with her 'pocket-battleship'. Germany offers to scrap her *Deutschland*, on which she has lavished so much ingenuity and money, if others will come down to a lower level of tonnage with her. But Britain, the United States, and Japan still cling to their monstrous ships, alone *contra mundum*. They are 'more precious than rubies', the British admiral said, 'to those States which possess them'.

Abolition is the one policy which will honour our pledges, apply the principle of equality, adequately reduce the vested interest in war, prevent the financial burden becoming intolerable when the building holiday expires, and clear the way for abolition of submarines and other corollary measures of disarmament.

Failing abolition, the next best course would be reduction of numbers (President Hoover has proposed reduction forthwith by one-third) coupled with agreement not to replace any.

The very worst of all possible policies would be an agreement now which would permit replacement of ships of this type, especially if the tonnage limit were to be such as to render actual replacement fairly easy and therefore probable.

The British Government's policy in this matter amounts to a proposal that capital ships shall be replaceable at 25,000 tons, and that none of the existing ones shall be scrapped. It means not 'more disarmament' than President Hoover's plan (as was claimed for it), but far less.

Better than this, by far, would be a deferment of decision about the whole question of replacement and reduction.

And there is one powerful factor which is making for deferment of decision. I refer of course to the Sino-Japanese conflict. Secretary Stimson, in his letter to Senator Borah last March, made plain that unless the obligations assumed by Japan at Washington in 1922 in regard to Manchuria and other Chinese territory were duly honoured, the United States might have to reopen the whole settlement then arrived at about naval armaments and fortifications in the Pacific. And that is not the only reason for saying that whatever is done about the Lytton Report will have momentous consequences for disarmament, especially in the naval field. The collective system began by the Covenant and the Kellogg Pact is undergoing its first really grave trial; unless the Powers, especially Britain and France, with the United States, do loyally and courageously stand by that collective system, and secure respect for the findings of the Lytton Commission, the consequences will be much more far-reaching and dangerous than any temporary clash with the present masters of Japan.

I have no doubt that these facts, and the unmentioned anxiety lest the limiting agreements of Washington and London should be overthrown, deeply influence the policy of the British Admiralty and Government: it makes them yet more slow and wary about any further measures of disarmament than they would otherwise be.

5. VIOLATIONS.

Fifthly and lastly, the Resolution says that 'rules of international law shall be formulated' in connexion with the prohibitions of the use of chemical war and air bombardment; and that these rules shall be 'supplemented by special measures dealing with infringement of these provisions'.

You will note the curious fact that the United States endorsed this proposal for some kind of international sanction. But note this also. The sanction in this case, unlike that of the League Covenant, is to be a sanction against the violator of some rule of war; it is not to be a sanction against resort to war.

This part of the Resolution seems to me a step backwards rather than forwards.

This section of the Resolution ends by saying that the Bureau is to meet in the week of 19 September, and that the Conference is to reassemble not later than four months after that. So we have no time to lose.

iv. *Part IV: The Door Kept Open.*

The fourth Part of the Resolution is short but very important:

> 'The present Resolution in no way prejudges the attitude of the Conference towards any more comprehensive measures of disarmament or towards the political proposals submitted by various delegations.'

Thus the door is at least left open.

Of the many 'political proposals' referred to, two are of outstanding importance: the great questions summarized by the words 'equality' and 'security'.

EQUALITY OF STATUS.

Ever since Germany joined the League and began to participate in the long preparations for this Conference, all her spokesmen have laid their chief emphasis on Germany's claim to equality of status, equality of rights, equality as regards 'security'. I believe profoundly that if the new Treaty is indeed to be general—if Germany is to be a party to it, it must in some way supersede the partial temporary and conditional disarmament régime of Versailles. That is not to say that the figures concerning Germany which would be inserted in the new Treaty would necessarily differ from those in the old one; it does not mean that Germany would be free to arm up to the numerical levels to be fixed for other Powers. But it does mean that broadly speaking the technical solutions for the problems of disarmament must be the same now for all States: that all nations must now repudiate utterly the detestable division of Europe into two groups—the so-called 'peaceable' nations and the 'so-called aggressive' nations which must by some means be kept indefinitely bound with special penal fetters designed by the victors in 1919. A sound system of progressive disarmament can only grow out of the voluntary collaboration of all the nations for a common purpose.

No part of the whole subject is so urgent as this. Every week that passes until satisfaction is given will afford further opportunity for militarist factions in Germany to claim that the other Powers are faithless and that nothing remains for Germany but to break away from the whole régime of 1919, assert for herself that equality of rights on which the Covenant is supposed to be based, and claim freedom to rearm.

For years past it has been evident that head-on collision

between Germany and France would come over this issue, and frankly I do not see how Great Britain is going to mediate effectively at all, or help to prevent the disaster of a German breakaway, unless she is herself prepared to go much farther than she has yet done in the way of accepting for herself the principles of disarmament which she requires Germany to maintain.

Do not, I beg you, suppose that it does not matter whether Germany comes into the new Convention or not. Do not say to yourselves comfortably, 'Oh well, there is always the Versailles régime, still binding, to fall back on.' No one-sided disarmament régime, imposed penally from without, will be acquiesced in for very long by a nation in Germany's position. Napoleon tried that.

And do not, if you say that you agree with the principle of equality of rights, forget that there is a price to be paid for its application. If it is not to mean rearmament by Germany, it must mean radical disarmament by your country and mine. I want that price to be paid.

SECURITY.

Lastly, there is the question of security. Before the world began its last effort to master international anarchy, security meant simply the assurance of each State that it would be able in the last resort to secure its own will by its own force or by exclusive alliances with other States. That anarchic meaning still persists: it has cropped up again and again in this Conference; it lies behind every demand of the Navy Leagues in Britain or America that each country should be free to arm according to its own conception of its requirements for security.

But to-day the word is coming to mean the very opposite

of that; it means the collective assurance of all nations for the respect and preservation of the common peace against the common enemy, which is war. It means, not a guarantee of national victory in private war, but a guarantee that no such war and no such victory shall ever again be tolerated. That is the only security that can be shared by all, and does not spell insecurity for any. It is that general security towards which general disarmament is one essential contribution. Let us do our best to strengthen that security in every possible way, and let us welcome every movement, such as that now making such notable progress in the United States, towards abandonment of the old fatal doctrines of neutrality and legitimate resort to war.

So much for the two chief political issues covered by Part IV of the Resolution.

Now let me remind you what happened to the whole Resolution up to this point.

Before the whole text was put to the vote the President made a notable speech, explaining that, whilst it fell 'very far short of what I should have liked it to be' at this stage, he would have felt bound, if he had been a delegate, to vote for it, in view of its affirmations of principle.

Then came the vote. Forty-one delegations voted for the Resolution. Japan, Persia, and Bolivia did so with certain reserves, and the Irish Free State did so 'only in the sense of President Henderson's declaration'. The United States view had already been expressed: the Resolution, Mr. Gibson said, 'represented not the point to which daring leaders had attained, nor even the position occupied by perhaps a great majority of States, but rather that point which the last straggler seeking the same goal had passed'.

Eight States abstained from voting, including Italy: the

Italian delegate had declared the effort to be 'vain and far below the hopes of the world'.

Two States, Germany and Soviet Russia, voted against the whole thing. The German delegate referred to the President's suggestion that those who voted against the Resolution would be voting against the idea of disarmament, against a first decisive step towards it, and against the Hoover plan. 'I do not vote', said Herr Nadolny, 'against any of these principles. On the contrary, I should be the first to support them.' Finally, the Russian delegate fired at the thing one final shaft: 'I vote for disarmament but *against* the Resolution.'

v. *Part V: The Truce Prolonged.*

A final paragraph, prolonging the Armaments Truce for four months from November, 1932, was accepted by all States including Japan, with the exception of China, who abstained from voting.

* * * * *

WHAT SHALL WE DO?

I shall have failed utterly in my job if you do not feel, as I do, more determined than ever to use the coming months in doing everything possible to make plain to our Governments the widespread desire for a very different, a very much more radical and courageous, instalment of disarmament that this Resolution adumbrates.

Do not suppose that we have all time ahead of us. Our time now is short. And, above all, don't imagine that our task now is only to prevent a little bloodletting, to prevent another Waterloo, another Sedan, even another battle of the Somme. We must make haste to master our new powers of self-destruction.

CHAPTER VII

EUROPEAN UNITY

by

WILLIAM MARTIN

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IN discussing European unity we may either point to domestic features such as uniformity, common interests, common civilization, and common thought, or to external features such as the relations between Europe and the rest of the world.

The issues raised by the mutual relations of the European peoples or by their relations with other continents are always with us; but there are times when these issues are particularly burning, and to-day, just after the Lausanne Conference, is a case in point. In some quarters the results of this Conference have been viewed as an attempt to give Europe a feeling of solidarity and the power to act to organize Europe in face of the United States. I shall return to this point later, but before doing so it is necessary to analyse what might be called the theoretical elements of the problem, that is, to ask ourselves whether Europe really exists except as a geographical expression, whether we are entitled to talk of European unity and, if so, what meaning we are to attach to this phrase.

Until quite recently European unity was a question for scholars rather than for politicians. Until quite recently it was virtually only geographers who were interested in the question of whether Europe could be said to have an existence of its own, or whether it should be regarded as merely a peninsula of the vast Asiatic Continent.

i. *Europe Defined.*

The first question, indeed, in considering what is Europe is to define its frontiers: Russia, stretching out to vast distances on both sides of the Urals; Great Britain separated from the Continent by a ribbon of water; Turkey cut in two by the Bosphorus and the Dardanelles—are they all to be considered as part of Europe? These are questions on which opinions differ widely. But, putting them aside, we may admit that from the geographical point of view there are sufficient common features characterizing all the peoples inhabiting the peninsula marking the end of Asia towards the West, to give us the right to speak of Europe as an entity just as we speak of Africa or of America.

The discussion of Europe's title to a separate existence has recently spread from the geographical to the sociological plane. Many thinkers have contended that when in 1919 international society was given a juridical and political organization for the first time it was a mistake not to allow for the fact of Europe's separate existence. *Natura non facit saltus.* . . . Hitherto the social organism has evolved through the coming together of cells of a similar character to constitute a larger body. Villages have coalesced to form provinces, provinces have been brought under one rule to form countries, small countries, even, have united in confederations under the pressure of the widening of their economic interests and needs. In 1919, it is argued, a daring innovation was attempted, namely, to pass at a bound from the national phase to the world phase of social organization without any intermediate stage, without taking account of the existence of continents—such a wide and sudden departure must be abhorrent to nature. The con-

clusion drawn by certain theoretical advocates of what is practical and possible is that we must turn back to the continental stage.

It is impossible to deny that European States have certain common interests in the political field. It is enough to recall the nature of their relations with non-white races. The negroes of Africa, the coloured races of Asia, the natives of the Pacific Islands—all representatives of the white civilization appear to them to be banded together for purposes of exploitation and domination. Our languages are different, but they do not understand them; on the other hand, our manners and customs, methods of administration, of government and of trade, our religion, all these things we have in common, and it is obvious that in the eyes of the non-white races the prestige of one European nation cannot be separated from the prestige of another. It was a fundamental error to try in Africa to base the greatness of certain nations on the humiliation of others, just as it is in many respects a fatal error to present the non-Christian peoples with the spectacle of a disunited Christianity in which the different sects compete against each other.

From this point of view the World War was a disaster; the moment rifles were put into the hands of negroes who were told there were white people whom they could kill, the feeling of respect and obedience, which was the sole moral foundation for European dominance on the Black Continent, was severely shaken. For similar reasons, it was an equally great mistake to compel certain European countries at the peace settlement to give up their extra-territorial rights in China. Extra-territorial privileges may be good or bad—that is a matter of opinion; but there can be no doubt that the only possible way of maintaining them

was that they should be enjoyed equally by all white nations.

From still another point of view we are entitled to speak of 'European problems'. While it is true that political questions in Europe are in one way or another simply special aspects of wider—even world-wide—problems, and that there are no issues which are purely European, it is also true that these world-wide problems have a special European aspect and are felt more acutely in Europe than anywhere else in the world.

In Europe twenty-seven sovereign States with a dense population share between them a very small territory. These States are separated by thousands of miles of boundaries which are often quite arbitrary and artificial; they are in close contact with each other at a thousand points in every domain of national life even when their relations are not friendly; they have a common history, or at least the history of one is unintelligible without the history of the other, for they have for centuries been rivals and repeatedly at war with each other—hatred often binds as much as it divides; there are many histories of European nations, but there is also a 'history of Europe'.

This compulsory intimacy, this similarity in origins and interests, this common civilization, and these intimate relations aggravate and sharpen every problem and difficulty that arises in Europe.

But this is not the whole story. Europe, although she has during the last few decades lost much of her authority and her power, of her wealth and her influence, still remains the centre of Western civilization. This civilization has spread to America and is rapidly conquering the other continents by virtue of its applied science and its nationalism

So that at the very moment when Europe's predominance is threatened she maintains a special moral position with regard to the rest of the world. One consequence of this special position is that any political difficulties arising between European States become peculiarly important for the whole world. War may break out in Asia or South America without much disturbing public opinion in other parts of the world or involving much risk of the trouble spreading. But a European war, on the contrary, sets up a train of consequences which make it a matter of world concern.

Thus we see that Europe is an undeniable fact. But curiously enough whenever an attempt is made to give expression to this fact on the plane of practical politics, or whenever deductions are made from it in the realm of organization, there is swift and complete failure.

ii. *Attempts at the International Organization of Europe.*

Is it necessary to recall the Holy Alliance, which was wrecked on the rocks of 1848, or the notorious European Concert of the last century which collapsed in mud and blood in 1914? Many similar attempts have been made. But immediately after the war a system of European ideas arose which were sometimes opposed to, and sometimes substituted for, the universal idea of the League of Nations and to which Count Coudenhove-Kalergi gave his name and the stimulus of his great gifts as a propagandist. In dealing with concrete political questions problems have sometimes arisen which had such a strongly marked European aspect as to compel the League of Nations and the International Labour Organization to deal with these aspects through European States only. Great things were expected as a result of applying these methods and of thus making

the League system of international co-operation elastic and regionally applicable. But in actual fact, for reasons which we shall consider shortly, European States proved no better able to agree with each other than they had been able to reach agreement on a world-wide scale: neither the coal conference of the International Labour Organization nor the Customs Union Conference summoned by the League produced any tangible results.

It was M. Aristide Briand who took the initiative—and there were many who thought it was an epoch-making initiative—in proposing a European Union.

In the light of two years' experience we may observe that the European Union has not produced the results that we expected of it; not only has it met with the hostility of those who consider all international work Utopian, but it has also been distrusted by those who feared that it might weaken the League of Nations. The small countries have joined the movement only with reservations that have made its progress slow and uncertain. Perhaps it is because of the very moderate results of the European Union movement during these years of crisis that a new effort was made at the Lausanne Conference.

Under the name of a 'Pact of Mutual Confidence' France and Great Britain have undertaken to consult each other whenever any political difficulty between them arises; this pact has been left open for signature by European States and many European States have already signed the Confidence Pact, which in fact comes to very much the same thing in a less formal and more elastic form as the European Union, namely, it makes possible permanent political contacts between all European States. We do not yet know what the Confidence Pact, which can no longer be called Anglo-

French but which cannot yet be called European, though it is on the way to becoming European, will accomplish in practice. But everything points to its having no more effect than its predecessor, the European Union. It would, indeed, be excessively optimistic to believe that it could do more than the European Union. But if this is the case, we must ask what are the deep-seated causes of these repeated failures in all post-war attempts at international diplomatic organization on a European scale.

The cause is always the same: In order to live political institutions must have both an ideal and a material, that is an economic, basis.

If we consider the origins of the three great existing federations in the modern world we shall find that each illustrates the truth of what I have just said: Switzerland was born at the end of the thirteenth century because the inhabitants of three mountain valleys wanted to be free; but Switzerland has endured because these three valleys had common economic interests and because they acted as a rallying centre for other communities with the same interests. Switzerland would never have been born if Waldstaetten had not wanted to throw off a foreign yoke; but Switzerland would not have lived if the St. Gotthard road, which had just been opened, did not link these valleys together. The United States were born at the end of the eighteenth century both because the Americans wished to be free from British tutelage and because of the common economic interests that bound the British colonies together and severed them from the mother country. And, finally, the League of Nations was born in 1919 because the World War had engendered a great weariness and horror of war, and also because the machine age had developed and multi-

plied relations between nations and created a world-wide economic interdependence which had never before existed.

If we apply this criterion to Europe we may admit that there is to a slight degree a European idea which might form the moral and ideological basis for an international union. But there are no political or economic bonds to make such a union viable.

iii. *The Two Europes.*

Politically there is not one but two Europes: as in every human society we find in Europe the parties of the haves and the have nots. There are nations that are striving for a place in the sun and full development by means of a change in the existing political situation, and nations who have benefited by the victory and the Peace Treaties and desire to uphold them and oppose any change. Within each of these two groups there are any number of shades and tendencies. The reasons why, for instance, Bolshevik Russia wants the existing order changed are not the same as the reasons of Fascist Italy or defeated Germany for wanting change. But this does not matter, for these two groups—the haves and the have nots—dominate the European scene and their mutual feelings under the pressure of events, and thanks to a press that is often violent, have reached a pitch of exasperation which makes all genuine co-operation difficult if not impossible.

And it is not only in the field of politics that there are two instead of one Europe; the same is true as regards economic interests. This is very clearly set forth in a book published by M. Francis Delaisi with the significant title *The Two Europes.* He shows how the middle of the European continent constitutes a belt of highly industrialized

States which must import food for their dense populations, and export the fruits of the labours of that population, whereas the fringes or outskirts of Europe are inhabited by agrarian nations with a less dense population, which must export the surplus of its food and import the manufactures it needs. This fundamental difference has innumerable consequences in systems of education, political institutions, etc.

To this it may be objected that such a balance of economic forces makes Europe an ideal continent and the objection is theoretically true: Europe with great agricultural areas and strong and highly equipped industries can be self-sufficing in practically every domain, which is the ideal of the modern world.

If the agricultural and industrial nations recognized their mutual dependence and agreed freely to exchange their goods all would be well. But this is not what happens in real life. The agricultural nations needing industrial products nevertheless shut off manufactured goods by tariff barriers, and the industrial nations that need imported food impose protective tariffs against such imports.

What is the cause of such very peculiar economic policies? There are two reasons: Fear of war and fear of Socialism.

The peoples are still haunted by the fear of war. Consequently States with a predominantly industrial population artificially stimulate production of staple foods, such as wheat, in order not to be starved out in case of war, whilst the agrarian peoples try to build up industries capable of supplying their needs in war and to enable them to resist armed aggression at short notice.

Similar causes operate in internal politics: in all the industrial countries of Western Europe the bourgeois-urban elements have been led by fear of Socialism to make a close

political and electoral alliance with the peasant class. The peasants give their majority to the bourgeoisie, that is they enable them to maintain their political and economic supremacy, and in return the Government so formed must give the peasants certain economic advantages, including tariffs, to protect the home market against the produce of agrarian countries where the cost of production is lower.

In other words, to ask the industrial countries to open their frontiers to the produce of the agrarian countries is to ask them to sacrifice their peasant class and to hand power over to the workers. To ask the agrarian countries to give up protection against manufactures is to ask them to give up raising the standard of living of their peoples and safety for their national existence.

iv. *The Economic Difficulties of Europe.*

Thus protectionism has split Europe up in every direction and created two opposed camps. But not only are the European nations divided against each other, they are also not self-sufficing; for whereas Europe possesses abundantly, and sometimes superabundantly, industrial goods and agricultural produce, it does not possess sufficient raw materials to keep its industries going and cannot itself absorb all that industries can produce. Europe, therefore, needs other continents both for obtaining raw materials and for selling its own manufactures.

It was this double need which gave rise in the second half of the nineteenth century to the policy of colonial expansion by the industrial States of Europe. But colonialism could not solve the European problem because whereas Europe can obtain from its colonies most of the raw materials it needs, the colonies cannot afford sufficiently large markets

for its manufactures. And so it became necessary to increase and intensify economic relations with the most highly developed States of other continents. This policy of economic expansion has meant that most European nations are more closely connected with other continents than they are with each other. It is obvious, for instance, that economic relations between Denmark and Bulgaria are less important than Denmark's economic relations with, say, the United States.

Great Britain is a typical case in point. The tremendous effort now being made by her to establish closer relations with the Dominions without sacrificing her Argentine customers show that Great Britain is economically concerned, not with Europe alone, but with the whole world.

To sum up, European political questions cannot be settled unless Europe's economic problems are first solved. and these cannot be dealt with on a purely European basis.

Economically the whole world is a unit. A poor crop in the Argentine causes the price of bread in Europe to rise. If there is an epidemic among the sheep of Australia our clothes cost us more.

At bottom the cause of our present economic discontents is to be found outside Europe. The two last great economic crises which shook Europe to her foundations began in 1921 in Japan and in 1929 in the United States; and there is nothing surprising in this fact. It was the rapid growth of industrialism in overseas countries during and just after the war, when maritime traffic was at a low ebb, that deprived European industries of many of their markets. The almost chronic unemployment in Great Britain during the last few years was largely brought about by the economic repercussions of the Chinese and Indian political troubles, and the

American policy of restricting immigration, which has been followed by most of the other overseas countries, has prevented unemployment finding its natural solution in the interdependence of the different parts of the world labour market.

Not only are many of Europe's difficulties due to extra-European causes; efforts at European self-help may be wrecked by the resistance of non-European States. For instance, when the European nations tried to help the Central European countries that had been hardest hit by the crisis by making certain exceptions to the operation of the most-favoured-nation clause in commercial treaties, overseas countries immediately protested. If Italy was not able to approve M. Tardieu's Central European scheme this was largely because her trade with the Argentine is more important than the whole of her economic relations with the States of the Danube Basin. When the Italian representative in London asked Mr. Ramsay MacDonald whether he could guarantee Italy against any claims from the British Dominions or from the Argentine in case Italy joined the scheme for helping the Danubian States, the British Government replied that it could give no such assurance.

It is difficult to see how Europe can embark on any economic policy which would be directed against the rest of the world or which would even attempt to be independent of the rest of the world. The economic life of the world to-day is not European but world-wide. A continent is not an economic entity. That is why the League of Nations is an exact reflexion in the sphere of political and juridical organization of current economic realities. Contrary to what amateur theoretical advocates of sociological realism think, nature, in the case of the League, has made

no leap and the framers of the Covenant were more clearly aware of the political and economic realities of to-day than their theoretical opponents.

v. *The Analogy of the Pan-American Union.*

But, it may be argued, let us at least try to settle in the family, so to speak, the problems that concern only us Europeans. This is the governing idea of the protagonists of the Pan-European movement. And this no doubt was M. Briand's idea in proposing the European Union and to a lesser degree the idea that occurred to Mr. MacDonald and M. Herriot when they signed their confidence pact.

At this point we must make a preliminary remark: All these movements, and particularly the two just mentioned, have been suggested by a kind of analogy with the Pan-American Union. Europe was not interested in the Pan-American Union when it began; it took no notice of its progress, nor indeed of its very existence. Europe went ahead and founded the League of Nations, and then all of a sudden several years later Europe discovers Pan-Americanism and wants to imitate it! But during those years Pan-Americanism has lost most of whatever political reality it possessed. It has been clearly proved that however much Pan-Americanism might mean in juridical and cultural relations it was sterile in the political field. Indeed, many Latin-American States came to the League as a refuge against the Pan-American idea. Pan-Americanism means the influence of the United States, and those who feared this influence found at Geneva a basis for political action to safeguard their autonomy, increase their prestige and protect them against external pressure.

And so the nations of Europe are now being asked to

imitate Pan-Americanism in the very domain where it cannot accomplish anything.

vi. *Non-European Participation in European Affairs.*

It might be possible to justify the isolation of Europe if it were true that the presence of non-European States prevented the European nations from coming to an understanding with each other and solving their difficulties. But the exact contrary is the case. The delegates from other continents in the Assembly and Council of the League have frequently played the part of arbiters that were useful because they were disinterested. They have never offered any opposition to necessary measures that were desired by the whole of Europe. Perhaps they have not always been so actively helpful as they might; but at any rate they have been useful and they have never been an obstacle.

Even this is not putting the case strongly enough. Their presence has been essential. It is easy to prove this point by considering how seriously the absence of the United States has weakened the League in the domain of security. If the problem of security has not yet been solved in Europe, if it even appears insoluble, that is because the United States have never taken part in its solution. It is not the presence of non-European States that raises difficulties in the way of settling this fundamental question; the difficulties, on the contrary, are in direct proportion to the non-participation of extra-European countries.

If the United States were in the League the system of sanctions provided for in the Covenant would be effective, and if it were not considered strong enough Great Britain, certain of the attitude of the American Fleet, would not object to strengthening the system. The obstacle which is

wrecking all efforts to increase the legal security of European nations has been Great Britain's repugnance to accept any new obligation whatever without being certain beforehand that in case of international conflict the British Fleet would not be on the other side to that of the United States.

If we reflect that it is the absence of the feeling of security that is holding up disarmament and making impossible the pacification of Europe, we must conclude that on the crucial question of present-day world politics it is not the League's universality that is hindering its success, but on the contrary the lack of universality. How then can we believe that international action will become more efficient by being limited to Europe when experience points to exactly the contrary conclusion?

In other words, we should find all our present discontents flourishing within the European Union and, so far from being easier to deal with owing to the absence of the extra-European nations, they would in several respects become even more intractable. The European Union has no advantages over the League of Nations, but it does have several drawbacks.

vii. *Why European Union is Irreconcilable with the League.*

When President Wilson urged the world to accept the League of Nations in 1919, he did so because the League was the realization of a great ideal of the promise made to those who fought in the World War that it would be the last war. There would have been little or no moral appeal in a proposal to put an end to wars between nations in order to usher in an epoch of intercontinental wars.

But the most immediate grave and tangible danger in the European Union idea is the weakening of the League of

Nations. Remember that the European Union was constituted in the beginning of 1931 and the events of the last year appear as a striking coincidence: the breakdown of the Customs Truce Conference, which was a purely European action by the League, brought with it in its train a series of far-reaching economic and financial breakdowns, both in Austria and in Germany. These disasters induced the President of the United States to make his moratorium proposal; Great Britain was forced off the gold standard; Herr Brüning toured the European capitals, Laval and Grandi went to Washington. A reparations conference was the result of all this and at no moment in all these discussions has the League either been brought in or so much as mentioned. Then the Sino-Japanese conflict broke out and revealed the alarming weakness of the League in act and will. The Great Powers have assumed a predominant position in the European Union that has caused the small countries to lose interest in international action.

The League of Nations is the greatest attempt in history to give political reality to the idea of the juridical equality of States. In the League the small countries can really defend their interests and make their voice prevail. From this point of view the European Union is a step backward, an attempt of the Great Powers to recapture a part of the power they have lost.

But it is above all in the eyes of the overseas countries that the European Union may become a danger, for if it were to function as it was meant to function it would be impossible to prevent it from dealing with most of the problems which arise since they are almost all European in origin. Consequently the League of Nations would become a sort of registry office to which problems and their

solutions would be brought for entering on the records. This would mean that the League would soon lose any moral value in the eyes of the Latin-American nations, who see in it above all the opportunity to play a part, to make themselves felt internationally.

That is why it appears impossible in practice to conciliate the League of Nations and the European Union; at bottom these are two contrary faiths.

Whenever a question arises that is purely European, the League of Nations is perfectly capable, owing to its highly elastic organization, of taking account of the facts of the situation; it has done so, as I have already pointed out, on several occasions—for instance, on the problem of coal and the question of tariffs. It would have done so to a still greater degree if the two first attempts had produced more encouraging results. But these two attempts failed because of the lack of good will and energy of the Governments. This brings me to my last point.

A statesman at Lausanne said, in order to justify his policy of dealing with questions outside the League, that everything which was brought to the League failed. This, it is needless to point out, is a gross exaggeration. But in so far as it does contain a grain of truth, we must ask why the League of Nations has failed so often and has not more frequently succeeded. The League of Nations is not an entity with a will of its own, which can be made responsible for its actions apart from the Governments of which it is composed.

Whenever the League of Nations fails it is because the Governments Members of the League do not want to act; whenever it succeeds it is because the Governments Members have been able to agree on a common action. In other

words, if the Governments wish to act, they would not need, in order to act, to make a European Union. The League of Nations would afford them all the machinery and obligations they needed to make their actions effective, and if they do not genuinely desire to act, what useful purpose is served by camouflaging ill will under a new label?

CHAPTER VIII

AMERICA'S PARTICIPATION IN WORLD ORGANIZATION

by

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I SUSPECT that we sometimes make the mistake of exaggerating the importance of what the politicians and the diplomats have to say. It is a politician's job to control votes. He must speak with his eye on the ballot-box. It is a diplomat's job to say what he is told to say. I do not expect a politician to lead; he must wait for some opinion to be developed, and it is the task of people in Institutes such as this to busy themselves with the public opinion which is going to force the politicians into future utterance and future action.

I speak merely as a professor, and it is a professor's job to say what he thinks.

i. *American Psychology.*

Let me introduce my subject by calling attention to what seems to me to be one of the basic facts about the psychology of the people of the United States in their approach to problems of world organization. A few years ago I was asking some friends in Denver to explain to me why it was that the United States had such great difficulty, after so many years, in taking any definitive action with reference to the Permanent Court of International Justice At the conclusion of my address, a Federal Judge came up to me

and said: 'I will tell you the real difficulty in this situation; it is that the American people think themselves so much better than the other peoples of the world.' 'But,' I replied, 'so far as I can see, in all the countries where I have been the people think themselves better than other peoples in the world.' His reply was: 'But we think ourselves better with so much more justification.'

There is another reason why problems of international organization do not put themselves to the people of the United States quite as they appear to the people of European countries. Most of the Europeans whom I have known have been a bit inclined to think of Europe as the centre of the world. There may be some justification for that point of view; but in most of my European friends it has the effect of leading them to disregard a large part of the world to which they ought to pay more attention. Europeans are inclined to think less than the people of the United States of both Asia and South America. The United States is a continent unto itself. The people of the United States may think in continental terms, therefore, without thinking in international terms. That is not true of the peoples of Europe.

With this introduction, let me deal with some of the specific aspects of America's attitude toward international organization.

ii. *Pan-Americanism.*

It is a natural thing that the people of the United States of America should concern themselves first of all with their relations with the peoples of the American Hemisphere. This is not because we have closer interests with the people of Argentina or Chili than with the people of France or

Great Britain, but because, through a century of political history, the people of the United States have taken a very great interest in the maintenance of free Governments in South America. We have organized in the course of these last forty years a sort of Pan-American league of nations, which many of my friends are disposed to compare with the League of Nations. The Pan-American League has no name. It consists, first of all, of a series of international Conferences which have been held now at more or less regular intervals since 1889. The sixth International Conference of American States met in Havana in 1928, and the seventh International Conference of American States meets in Montevideo in 1933. At this Conference of American States all the States of the Western Hemisphere are represented, with the single exception of Canada. Since 1889 these Conferences have drawn up many international Conventions, but some of them have not been generally ratified, and if one looks over the forty years of history I am afraid he has to say that there is not a great deal to show for the six Conferences of American States which have been held. A part of the organization, also, is a permanent Secretariat of this Pan-American league located in Washington and called the Pan-American Union. It is under a Governing Body which consists of the diplomatic representatives of the various American States who are accredited at Washington. The difficulty with the whole organization has been that it is very largely dominated by the most powerful of the American States. The Secretary of State of the United States is always the President of the Governing Body of the Pan-American Union.

This American league is not to be compared to the League of Nations. In the first place, it has no Covenant;

it has no instrument under which the States of the Western Hemisphere are banded together in a league. In the second place, it has nothing which corresponds to the Council of the League of Nations. The early proposals for the Council of the League of Nations were that the members of the Council should be the diplomatic representatives of various States at some European capital; in my judgement that would have been fatal to the Council. I think the experience of the Pan-American Union has shown that such a Governing Body cannot be very active. In the third place, the Pan-American league has no active Secretariat; the Pan-American Union does not initiate anything; it seldom prepares adequately the issues that are presented to the Conferences of American States. The whole organization, therefore, lacks a sense of vitality, and when various people in Europe, in South America, and even in North America, compare the so-called Pan-American league with the League of Nations, I think they are neglecting very essential points of difference.

There has grown up in recent years an unfortunate tendency for the Governing Board of the Pan-American Union to place on the agenda of the Conferences of American States the subjects which find place on the agenda of the Assembly of the League of Nations in Geneva. If a Convention is drawn up on some subject here, it is at once proposed to the Governing Body of the Pan-American Union that a duplicate of that international Convention should be drawn up by a Conference of the American States for the American States to sign. That is a very unfortunate tendency of the recent development of the Pan-American league; it may preclude the establishment of that uniformity for which the Convention is designed.

The people of the United States are very much devoted to the tradition of Pan-Americanism, which has come down to them since the first Conference in 1889, and it must play, therefore, a large part in their picture of international organization.

iii. *The United States and the Far East.*

Let us now turn to the interest of the United States in Asia, where we have a pretty well developed policy, though it does not involve very much in the way of international organization. The United States has followed since many years a policy of not seeking to colonize in Asiatic countries. I think it is an excellent record that during the land-grabbing days of the 'nineties the Government of the United States did not yield to the temptation to seek to gain control of some Asiatic territory. The Philippine Islands did come to us in the course of an unfortunate incident in history, but I think it is only a question of time until the Philippine Islands will be entirely independent. Hawaii, Guam and Samoa are simply remnants of an era of 'manifest destiny'. That is the negative side of the policy of the United States in Asiatic countries. Positively, however, the people of the United States are very much devoted to maintaining the territorial integrity of China, and they greeted with much enthusiasm the treaty of 1922 concerning policies in China, which, in Article 1, clearly lays down for all of the States interested in the Pacific area the principle of territorial integrity. Perhaps recent events have shown that a treaty which merely enunciates a principle is not an adequate way of safeguarding territorial integrity. Article 7 of that treaty calls for a full and frank communication between the Powers if there is to be any change in the Pacific situation.

Well, we have had some full and frank exchanges in the course of these last months, but they do not seem to have prevented some very untoward incidents in the Far East.

Another item of American policy in Asia is to keep the Continent of Asia free from trade barriers. The 'open door' policy announced by Secretary Hay some thirty years ago is an essential part of American foreign policy in the Far East, but it does not call for international organization on any large scale.

iv. *The United States and Europe.*

Let us now turn to the relations of the United States with European States. There is every reason why the people of the United States should take a very great interest in European affairs. In the first place, Europe is the great market for American goods. If one says that the foreign trade of the United States is less than 15 per cent of its total trade, nevertheless it is just that margin which makes the whole a success or a failure. In the second place, most of the people of the United States have cultural bonds with the peoples of Europe, and it would be a natural thing for one to expect that we would have a very intense interest in European questions and in European relations. We have had a large immigration from Europe, and most of our immigrants look upon some European country as their second country. In the third place, there is no other country in the world which has so many tourists in other continents of the world as has the United States. We send to Europe each year many thousands of tourists, most of whom go back with a certain amount of interest in European affairs. I think there is every reason why the people of the United States should be very much interested in European affairs.

Yet one cannot draw this picture without saying that the people of the United States have a very deepset mistrust of what they know as 'the European system'. Many of our earlier immigrants left Europe nursing a grievance. Our mistrust was expressed in the fears which were entertained a hundred years ago as to the freedom of the various States of South America, and it was because of those fears that in 1823 a President of the United States enunciated the doctrine that the Continent of South America should never be open to European aggression. When one considers what has happened to other continents of the world (the Continent of Africa, the Continent of Asia) I think he can hardly fail to be grateful that the United States has pursued a policy of that kind with respect to South America. To be sure, there are many Americans who look upon the Monroe Doctrine as if it were written by God on high; but in spite of their exaggerating its importance, in spite of their reading into it all sorts of things that are not there, I think it has served some purpose in the course of the history of the last century. Our distrust of Europe is also expressed in a formula which we repeat on every hand in becoming a party to international instruments; we repeat that we have a traditional policy of not interfering in or entangling ourselves in the affairs of any other States. The policy really applies only to European States. It does not necessarily mean that we have a traditional policy of not interfering in or entangling ourselves in the affairs of a South American or a Central American State; and it does not mean that we will not interfere in or entangle ourselves in Asia if the occasion should warrant.

This mistrust has been increased in consequence of American experience in the war. There was first of all a

feeling on the part of Americans, I think, that Europe made the war and that Europe forced the United States to enter into it. In the second place, there was, in 1919 and since, a great deal of disillusionment about the settlements which ended the war. Americans generally have a feeling that at the end of the war every nation grabbed what it could get except the United States. That feeling has intensified our mistrust of Europe and our desire to be free of European entanglements.

In the next place—I must list all of these things whether they are pleasant or not, because I think they are relevant to the subject we are considering—there is a deep suspicion in the United States of any State which maintains a large army. Perhaps there is not the same suspicion of a State which maintains a large navy. Let no one imagine that I am trying to paint a picture of a logical mind on the part of our American public. We are not logical, and we do not pretend to be. If we do not have the same suspicion of countries which maintain large navies, we do not want any other country to say that it is ordained by God to have the largest navy in the world; and if any other country boasts that it rules the seas, then the United States is bound to aspire to parity with that country.

Before the war we took great pride in our participation in the various public international unions. The International Postal Union was even suggested—not in its later form, but in its earlier stages—by a Postmaster-General of the United States, Mr. Montgomery Blair, in 1862. In such unions the United States participated before the war, and it participates to-day. I think there would be no opposition in the United States to extending this co-operation. For several years, however, the United States was deterred

from participating in various similar international organizations by the campaign waged against the League of Nations, with which most of the organizations created since the war have been somehow connected. I think, however, all of that has now passed. We are beginning to express a very different attitude with reference to most subjects of international co-operation. This is shown by the fact that the United States was one of the first States, if not the first, to ratify the Whaling Convention which was drawn up by the League of Nations Assembly last year; and it was one of the first States, if not the first, to ratify the Opium Convention which was drawn up at a conference which sat in this room in 1932. I believe, in other words, that one can look forward to a very different attitude on the part of the United States in the years to come.

v. *The World Court.*

Let me take up another topic. For a number of years now the people of the United States have been wrestling with a proposal that we should give our support to the existing Permanent Court of International Justice. Nearly all of the peoples of the world have joined in supporting that institution without the question ever having been made an issue in their local politics. It is paradoxical that the United States should have any qualms as to the proposal, for it would be difficult for one who is familiar with the history of the United States during the last century to imagine an idea which would more naturally appeal to the American people. We have a long record of supporting the development of international arbitration during the course of the last century; some people in the United States actually think, and think with a good deal of pride, that we created the Permanent

Court of Arbitration in 1899. Perhaps wrongly, we think it was our doing.

Yet our attitude toward arbitration is entertained with some reservations. In the first place, we have long had a reservation with respect to compulsory arbitration. We think it is a very good thing for the other peoples of the world; we are delighted that the other peoples of the world should sign the optional clause of the Statute of the Permanent Court of International Justice, but it would not work for us because we do not need—this is our thought—any restraint of that kind. We do not need to enter into any obligation to settle all of our disputes peacefully. In the second place, we have a few ghosts in our national family closet. We do not like to say very much about them, but they make it necessary for us to entertain some reservations with respect to our support of compulsory judicial settlement. We have a ghost that is sometimes seen stalking about in England, but which seldom shows its head in the United States—it is called The Debts of the Southern States of the United States. Then the Monroe Doctrine hangs over us as a great spectre with respect to any international court. We are extremely sensitive lest somebody might some day ask us to enter into some discussion as to some problem which might in some remote contingency involve the Monroe Doctrine. That we do not intend to do. In the third place, we have a more or less definite policy with reference to the Caribbean area. In the fourth place, we have recently adopted an immigration policy which we do not propose to submit to any kind of international discussion.

In spite of our reservations, however, there has been a long-continued, a well-established tradition in the history of the United States in favour of international arbitration, in

favour of creating permanent tribunals of arbitration, and in favour of creating agencies for judicial settlement. It is therefore one of the great paradoxes of modern history that the United States of America did not participate in setting up the Permanent Court of International Justice. The real difficulty with reference to the Court has been that it has a connexion with the League of Nations. If the question of our supporting the Court were arising to-day for the first time, if it were a fresh question in 1932, I am rather disposed to think that the connexion between the Court and the League of Nations would not matter in the United States; but it did matter in 1922, and that has been a difficulty ever since. Of course, we have talked about other things. Not wanting to talk too much about our real reasons, we have invented some very good reasons which have delayed our giving support to the Court.

In 1926 the Senate of the United States adopted a resolution consenting to the proposal to adhere to the Protocol and Statute of the Court. The Senate stipulated, however, that the Court should not be empowered to entertain any request for an advisory opinion coming from the Council or Assembly of the League of Nations and relating to any question in which the United States has or claims an interest, without the consent of the United States. Generous consideration was given to that reservation by the representatives of other States in conferences held in 1926 and in 1929. Unfortunately Secretary of State Kellogg, as he then was, refused to have the United States represented at the Conference of Signatories which considered the subject here in Geneva in 1926, and a practicable formula was not found until 1929. Three years have now elapsed since the Protocol for the Accession of the United States was drawn

up. The difficulty with it has been, I think, that the formula is too subtle and has been interpreted by different people in different ways. In my judgement it makes little difference which way you interpret it. I cannot imagine that the Court is ever going to be asked to give an advisory opinion concerning a matter which vitally affects the United States unless the United States in some way participates in making the request.

Whatever be one's interpretation of the 1929 Protocol, however, I think we may say that the fight for the World Court in the United States has now been won. Public opinion has been educated, and the politicians and the diplomats have swung into line with it. The platforms of both of the major political parties of the United States this year support the proposal that the United States should, as they say, join the World Court. We have recently had a report from the Foreign Relations Committee in the Senate, which proposes certain resolutions, one of which I hope will not be adopted, but the others of which are not less unsatisfactory than the usual American formulas. There has also been a very interesting proposal in the United States during the past year by Mr. Linthicum, the Chairman of the Committee on Foreign Affairs of the House of Representatives; since the United States has taken nine years to decide this question by the ordinary treaty method, he proposes some other method should be found, and that we should proceed to appropriate some money for the support of the Court, paying the same amount as Great Britain pays each year. That is a very interesting proposal, of which we may not have heard the last.

Another question now looms up for the people of the United States. Public opinion in the United States must be

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persuaded to accept the optional clause of the Statute of the Court which is in force to-day for some forty other States of the world. With respect to that subject, a recent pronouncement by the President of the United States to the effect that the United States ought to support the World Court with reservations preserving our freedom of action, does not seem very hopeful.

vi. *Membership of the League of Nations.*

Let us now consider the question of the United States' membership of the League of Nations. I think it is inevitable that the United States will join the League of Nations. But there are some difficulties in the American mind of which people in other countries should at least be aware. In the first place, we have in recent years wedded ourselves to a thesis that it is not necessary for us to commit ourselves to any future course of action; we can always be depended upon to do the right thing, and we do not need to say in advance that we are going to do the right thing. We do not propose to agree in advance to do anything, not even to confer about doing anything.

In the second place, there is a difficulty in that the Covenant of the League of Nations is thought in the United States to obligate the members of the League of Nations to use force under some circumstances, and there is a tendency to say that any kind of use of force means going to war. Perhaps a wholesome distrust of politicians' slogans is responsible for that confusion, but surely one has to distinguish between action which is clearly taken in the general interest —force used merely for police purposes—and action taken by a State in its own interest. The United States does not hesitate to use force to protect its own nationals abroad—in

China, in Haiti, in Nicaragua, or elsewhere. Yet we shy at any commitment in this respect.

In the third place, there is difficulty in the United States which is merely constitutional. The question always arises: who is going to represent the United States in the Council of the League of Nations and who is going to speak for the United States? Will he have the President's authority or the Senate's authority? Ours is one of the oldest constitutions in the world to-day. Not only do we have a federal system to maintain, but we are also under the necessity of seeking unity in one of the largest countries in the world. San Francisco is as far from Washington as Washington is from Paris. Yet San Francisco and Washington must be in accord on all questions of national policy. An observer from Mars would have to say that we have made a great success of our constitutional system; but he would have to add that it is a difficult system to work in a twentieth-century world.

I must also speak of a fourth difficulty which might be considered by members of this Institute. We have some questions about the character of the representation of the members of the British Commonwealth of Nations in the League of Nations. To be sure, we are pleased to have Canada a member of the League of Nations; we are pleased to have the Irish Free State a member of the League of Nations; and I am not certain that we should be disposed to say very much about the seven votes that are cast in the Assembly of the League of Nations by members of the British Commonwealth of Nations if we were clear in our minds that they are really seven votes and not one vote. The insistence of these members that no question between them, though they are members of the League of Nations,

can be considered in any international body, their insistence that when all of the members of the British Commonwealth become parties to an international convention they are not parties *inter se*, tends to produce the impression in the minds of some people in the United States that the seven votes are not actually seven but one. Some complication arises also because of the votes of Dominions in the Council. If the United Kingdom is a party to a dispute before the Council, will the vote of a Dominion on the Council always be necessary for unanimity? If so, is that vote really independent?

Those are some of the difficulties which we have to face. It may be that the Pact of Paris for the renunciation of war will be the bridge by which those difficulties are to be overcome. The Pact of Paris is very popular in the United States. This is partly because it was made in the United States, and the people in America are pleased with the mark 'Made in the U.S.A.' Its popularity has tended to make its importance somewhat exaggerated, and I think it is not viewed in other countries as it is viewed in the United States. We are tending to minimize the reservations that were made when the Pact was concluded, and perhaps that is the usual course of history.

vii. *Secretary Stimson's Speech.*

This leads me to speak of the importance of Secretary Stimson's speech of last week, of 8 August, 1932. I think no more realistic approach has been made by any American statesman since the days of Woodrow Wilson.

In the first place, he connects in a most important way the Pact of Paris and the Covenant of the League of Nations. It is the first time that any official of the United States has dared to go so far. Secretary Stimson spoke of two treaties,

the Covenant and the Pact of Paris, which have had an effect 'so revolutionary that it is not surprising that the progress has outstripped the landmarks and orientation of many observers. The treaties [the Covenant and the Pact of Paris] signalize a revolution in human thought, but they are not the result of impulse or thoughtless sentiment. At bottom they are the growth of necessity.' It is going a long way for a Secretary of State of the United States to say that the League of Nations grows at bottom out of necessity. Secretary Stimson deals with the doctrine that the fruits of aggression should never be recognized by any State, and puts it in the terms of a violation of the Covenant of the League of Nations. The doctrine as he now states it is that the United States would 'not recognize any situation, treaty or agreement which might be brought about by means contrary to the Covenant and obligations of the Pact of Paris'. That again is going very far indeed.

In the third place, Secretary Stimson repeats a statement which he attributes to M. Briand (who, he says, took it from President Coolidge) that 'an act of war in any part of the world is an act that injures the interests of my country'. That is almost a paraphrase of Article 11 of the Covenant of the League of Nations. Many of us have been saying for years that the principle of Article 11 of the Covenant of the League of Nations is the most important and the most pregnant principle that has been announced in world politics since the war.

I find in Secretary Stimson's speech also a very interesting admission that the United States cannot act alone. These are his words: The American 'refusal to recognize the fruits of aggression might be of comparatively little moment to the aggressor. But when the entire group of civilized nations

took their stand beside the position of the American Government, the situation was revealed in its true sense.' There is for the first time in recent years a recognition that the United States cannot meet an acute international situation by acting alone, but that it must act with other States. Secretary Stimson found in the Pact of Paris the implication of an inevitable consultation with other States. I am also pleased that he should say—not in these words, but in the same sense—that the day of neutrals is past. In other words, the Government of the United States is coming round to a position which was adopted by President Wilson some fifteen years ago.

Yet there are certain weaknesses in this official position of the Government of the United States. Secretary Stimson minimizes the necessity of international organization. It is all very well to talk about the power of public opinion, but unless that opinion is organized for articulate statement, I think the public opinion of the world is not a sufficient safeguard of international security. His address also minimizes the possible rôle of a police force in international affairs. Moreover, I find in Secretary Stimson's speech an emphasis on self-defence which I do not find in the Covenant of the League of Nations. To be sure, one of the reservations to the Pact of Paris was a reservation dealing with self-defence, and Secretary Kellogg said that each State has to judge for itself whether or not it is acting in self-defence. That statement is simply a return to the pre-war muddle. The great advance that was made in the Covenant of the League of Nations was that it did not attempt to lay down a difference between defence and offence; it clearly provides that no State may go to war unless it submits its case to the judgement of an international conference.

It is unfortunate also that Secretary Stimson's statement has been somewhat weakened by the President's more recent speech in which he said that we should enter into no agreement committing us to any future course, or which called for the use of force to preserve peace.

viii. *Conclusion.*

What we need in the world to-day is a restoration of confidence, confidence of peoples in each other and a general confidence in the stability of our international society. We need a sense of international security which can only be produced, I think, if all of the great nations of the world, such as the United States, are participating in the League of Nations. The greatest effort upon which our generation is engaged is the effort to create a new state of mind with reference to war. The seventeenth century had the conception that war was simply a concern of the belligerents who were engaged in it, and that other States had nothing whatever to do with it. In the course of the eighteenth and nineteenth centuries, with the growing interdependence of peoples, it became necessary to work out a law of neutrality to govern the relations of neutral States to belligerents. In the course of the twentieth century I think we are engaged in an effort to throw over altogether the seventeenth, the eighteenth and the nineteenth-century attitudes toward war. A law of neutrality has no place in the twentieth century if, as is said in Article 11 of the Covenant, and as is said in Secretary Stimson's speech, any war in any part of the world is a matter of concern to all of the peoples of the world.

I think there is possibly a parallel in English history for the effort in which our generation is now engaged. In eleventh-century England there was no national law. There

was no general conception of a peace which might be violated if any person attempted to take things into his own hands. There was a peace of the manor, a peace of the church, a peace of the vicinage, and one might be punished for violating any of them. But it was not until the conception of the King's peace came to supplant those conceptions of the local peace that England succeeded in establishing a national law of the land; it was not until a conception of the King's peace was enthroned in England that there was a real security throughout the King's realm. So I think the people of our generation are engaged in an effort to supplant the conceptions of a local peace which prevailed in the last century with a new conception of the world's peace. I cannot believe this effort will succeed without the assistance of all the great nations of the world, such as the United States of America; but it is inevitable that the American people will come to insist upon having their share, and a very generous share, in the effort which our generation is making.

CHAPTER IX

(A) THE INDIAN ROUND TABLE CONFERENCE

by

THE RT. HON. H. B. LEES-SMITH

Member of the Round Table Conference.

THE Indian nationalist movement is the creation of Great Britain. If we had wished that there should be no nationalist movement in India, we should, decades ago, have made up our minds never to allow Indians to learn how to read English literature, because if you take away from English literature the literature of liberty there is not a very great deal left. Having come to the decision to educate India in the English language we should have realized that eventually we should be faced with all the political problems and difficulties which that decision was bound in two or three generations to create.

I will begin with explanations which are needed in order to describe that particular set of facts which were before the Round Table Conference.

i. *Diversity of Government, Race, Religion, and Caste.*

In India the day-to-day government of the country is not conducted by the Central Government at Delhi. India is divided into a number of Provinces—Bombay, Madras, Bengal and the rest. They are inhabited by peoples of different races, different colours, different religions, different languages as separate from each other as are the different

nationalities in Europe. In speaking, therefore, of introducing parliamentary government into India we are speaking of a proposal which would be rather like creating for the first time a parliamentary government in the different nations of Europe and at the same time a federal government for a unified Europe as a whole. To carry out such a task in a few months or even in a few years is a bolder adventure than anything we have attempted on the Continent in which we ourselves live.

I must also remind you of the caste system in India and say a word or two about the position of what is known as the 'depressed classes', because you will undoubtedly hear a great deal about them in the next few months. About one-seventh of the population of British India belong to what are called the depressed classes. They are separated from the rest of the Hindu community. There is no intermarriage, no social intercourse, no common meals: the touch of large sections of them, or sometimes even their shadow, is pollution to the other castes. Indian officials tell me that during a famine one of the great difficulties is that if only one well can be sunk in an area the main Hindu community will not drink from the same well as the depressed classes. Although in true logic the demand of Hindus for democratic government is hard to combine with their view of the depressed classes, the problem is not one of any peculiar difficulty. It has, however, come to the front because of the rather unexpected resistance to Mr. Gandhi that the representatives of the depressed classes exhibited at the Round Table Conference, and the dispute between them and the Congress as to who really represents the best interests of these unfortunate people. I, personally, think a good many of the comments with regard to Mr. Gandhi upon this

question have been exceedingly unfair, because I should say there is no man in India who in his personal capacity has done more to raise the depressed classes and to associate himself with them in his own household and family. It is rather as if white Americans who had habitually invited negroes to their meals, had adopted a negro daughter and then found themselves assailed by the spokesmen of the negro community for lack of sympathy with negro ideals.

ii. *Previous Governmental Reforms.*

Now let me come to the events leading up to the Round Table Conference You must go back a few years and begin with the Morley–Minto reforms of 1909. In India the Provincial Governments, as well as the Central Government, are organized, as every Government is organized, into a legislature and an executive, and the distinction between these two will run through the rest of this account. Until 1909 there was absolutism but no deadlock because the executive was official and the legislatures had a majority of officials, so that although you had not got a parliamentary system, at any rate you had administration where there was harmony between the two branches of the Government. In the Morley–Minto reforms—and you will see how important a first step it was—the Provincial Governments which had legislatures with *official* majorities were granted legislatures with *unofficial* majorities. It is rather strange looking back to notice that when Lord Morley introduced this proposal into the House of Lords he said, 'If it could be said that this chapter of reforms led directly or indirectly to the establishment of a parliamentary system in India, I for one would have nothing to do with it.' Yet a very slight

experience of Dominions, in Canada, for example, would have told him that as soon as you get a Government with an official executive and an unofficial majority in the legislature, sooner or later deadlock is bound to take place. There is no harmony between the two branches of the Government. The unofficial majority is not responsible for seeing that the Government is carried on; it is frequently not in sympathy with the Government; it will not pass the measures that the Government needs; it refuses the finance of the year. How can a Government continue? Deadlock is bound to ensue. Broadly, that was the kind of difficulty which began to show itself in the Morley–Minto reforms. Meanwhile, of course, you will realize that the Central Government was still left with the *official* majority, and there was no deadlock at the centre.

Next we come to the Montagu–Chelmsford reforms, under which India is being governed at the present time. These reforms were faced with the problem I have put to you and they adopted a most ingenious solution known as Diarchy. The Government departments were divided into two groups, one the group of 'transferred subjects' and the other the group of 'reserved subjects'. The 'transferred' group contained a number of important subjects but not so important that a failure in their administration would lead to a breakdown of government. It might lead to an impediment to progress, but anarchy would not ensue. That group of services was brought under the British Cabinet system. It was laid down that the Ministers in charge should not be officials but parliamentary Ministers, who only retained their position so long as they could secure a parliamentary majority and who were therefore responsible to the Provincial legislature. In this way what may be

called 'responsible government' was given to these vastly important Provincial legislatures. In this sphere of control were subjects like public health, local government, education. On the other hand, services like the police, a breakdown of which might lead to calamitous results, were retained under the old system. They were still in the hands of the official executive and not of a Minister who could be ejected by a parliamentary vote. So you had Diarchy—parliamentarism and governmental control side by side.

The second step of the Montagu–Chelmsford reforms was the introduction, for the first time, of an unofficial majority at the centre.

What have the results of Diarchy been? It is clumsy, but after reading the reports of the Provincial Governments on it, behind all their criticisms a queer respect is seen to emerge.

But in the centre we had now introduced the system of an official executive combined with an unofficial majority in the legislature, and the inevitable deadlock from time to time has occurred. There have not been, however, so many deadlocks as one might expect. Indians are easier to deal with than Europeans and India is not a difficult country to govern.

iii *The Simon Report.*

Now I come to the Simon Report, from which, of course, the Round Table Conference and the subsequent happenings in India have flowed. May I make the position clear by repeating what was the situation which Sir John Simon found when he went to India as Chairman of the Simon Commission. In the Provinces he found diarchy. In the centre he found an official executive, but an unofficial

majority in the legislature. I can summarize his proposals very shortly.

He left the centre very much as it was. He altered the size of the legislature, but did not alter its nature. But in the Provinces he introduced the principle of responsibility into the 'reserved services', which up to then had been reserved for Government control alone. Therefore, broadly, what the Simon Commission proposed was full responsible government in the Provinces and no extension of responsibility at the centre. These were the proposals with which the first Indian Round Table Conference had to deal.

iv. *The First Round Table Conference.*

At the first meeting of that Conference every British delegate was bound to attend with anxiety and apprehension overclouding his mind. The Indian Nationalist Movement, not only Mr. Gandhi but those known as the Moderates, had made it quite clear that the Simon Commission Report did not satisfy them. They wanted some measure of responsibility at the centre. On the other hand, it was quite obvious that that group of individuals who constitute British opinion on India would not consider going one step beyond the Simon Report. To them it seemed a very great advance to put the control of the Indian police and the maintenance of law and order throughout these vast Provinces into Indian hands. Moreover, you have to recognize that in dealing with India under the British political system the opinion of the House of Lords is about as important as the opinion of the House of Commons. If there is conflict between the House of Commons and the House of Lords, the House of Commons will prevail so long

as the people support it. But when we get a subject like India, in which the people have no interest at all, the two bodies are very nearly of equal authority, and this again was one of the difficulties in connexion with the Conference. Whatever the House of Commons would have done, the House of Lords would not have gone beyond the Simon Report.

I come now to an event which in a couple of days transformed the situation. The Indian Princes unexpectedly emerged right into the front of the stage. About one-fifth of India is not under the direct control of the British, but is governed by Indian Princes. Some of them are not more important than an English country gentleman, but some, like the Nizam of Hyderabad, rule 12 million people, strike their own coinage, see their own heads on their own postage stamps, raise their own armies—the nearest approach in modern life to the princes of the *Arabian Nights*. The Princes suddenly came forward and made a pronouncement that they would be willing to enter into a Federation for India as a whole, but only if that federation was based upon the doctrine of responsibility at the centre. This transformed the whole of Conservative opinion. The Conservative Party made a great distinction in their minds between an Indian Central Government controlled by Mr. Gandhi and Congress and an Indian Central Government of which a strong and substantial section was formed by Indian Princes, represented by their officials, old and seasoned administrators, not unlike the British type. They could understand such men and felt that if they had a large voice in the government of India responsibility could be given.

As a consequence, the First Indian Round Table Conference has proved to be an historic event. The British

Government, through the Prime Minister, has pledged itself to the principle of 'responsibility at the centre, with safeguards', and it has done that twice—at the First and at the Second Round Table Conferences. It has twice put that pledge before the House of Commons and had it accepted by the majority of that House. Between the two acceptances in the House of Commons there has been a General Election, so that no pledge has ever been more solemn than that to which we are now committed as the result of the First Indian Round Table Conference.

Secondly, students of constitutions will realize that the development of India has been profoundly deflected by the decision that India shall be a federal Government like the United States and not a unitary Government like the United Kingdom. That is the result of the First Conference, and is a great achievement.

v. *The Second Conference.*

Then I come to the Second Conference. There were two main difficulties left over for this Conference. One was 'safeguards'. What were these safeguards, and were they to mean in fact the old unmodified British rule under a parliamentary façade? These safeguards were never fully discussed because before they were reached the other problem which has overshadowed the situation ever since made itself apparent. The Indian Moslem community are not usually regarded as being as intellectually agile as the Hindu community. But they claim that if it comes to a test, not of dialectics but of physical force, the balance will be very much the other way, and that behind government physical force always lurks. They have a majority of the population in the Punjab, in Sind, and in the North-West Frontier

Province, in the Moslem State of Afghanistan and in Baluchistan, so that they control that area of India in which the passes are to be found through which the great invasions of India have taken place. Some members of this party dream of a great Moslem State in the North-West Frontier of India. They are the more romantic members. But it is probably true that they are determined to have the control of those Provinces so that they can hold the Hindus in them as a hostage for the proper treatment of Moslems in other Provinces.

At the First Round Table Conference no delegates were so democratic as some of the Moslems. But all this was changed at the Second Conference. The line they took was that a self-governing India meant a Hindu India, because the Hindus are in the majority and that if we drove them in the last resort to select between a British Raj and a Hindu Raj they preferred to go on as they were. They therefore demanded safeguards, which meant in practice a position within the Constitution far stronger than on the basis of numbers they could claim. They practically withdrew from the last stages of the Conference altogether, and sat silent without taking any part in the discussions.

I am not sure that this would in itself have destroyed the Conference, but, as so frequently happens at conferences, there came up a subject which had not been in anyone's thoughts. In Bengal there is a terrorist movement consisting of not very large numbers of young men and women. It is a serious movement. I do not think that at this moment the life of any British official in Bengal is safe. The Government introduced the Bengal Ordinance to deal with it. That Ordinance is as extreme as it can be: it is not far removed from martial law, and Mr. Gandhi immediately transferred

his attention to the Bengal Ordinance rather than to the other questions of the Round Table Conference. These ordinances hurt and viscerate the pride of a man like Mr. Gandhi in a manner which those not subject to them cannot appreciate. 'A Government that can do this can do anything.' As the result, when Mr. Gandhi went back to India he requested that the Viceroy should meet him and discuss the Bengal Ordinance. The Viceroy refused. He was willing to converse with Mr. Gandhi but not about the Bengal Ordinance. These conditions Mr. Gandhi would not accept. Civil disobedience was revived. The ordinances have been extended to the rest of British India. Mr. Gandhi is in prison with 30,000 of his colleagues. That is the story of the situation to-day.

vi. *The Future.*

I have been asked to give you an appreciation of the future. To begin with, there are certain points which are not likely to be changed by the British Government.

The first is that the British Government is convinced that if it were to accept the full demands of Congress it would not hand India over to a Parnell or a De Valera or a Garibaldi but to someone who cannot control the situation. The responsibility of the British Government and the British troops would be increased and not diminished. Parliamentarism depends upon the assumption that the differences between the various sections of the community are not so fundamental that they prefer their own claims to the existence of parliamentarism itself. That is what Europe shows you to-day; that is what Germany shows you now. If the Hindu-Moslem antagonism makes this fundamental assumption untrue, then of course you will readily understand the

point of view of the British Government. It would not be creating an Irish Free State, a Turkey or a Japan. It would be creating a China, and a century hence the Dr. Gooch of that time would describe India as a 'vast amorphous elephantine mass', too big to form a single State.

The second feature of the policy of the Government is to insist upon a strong central administration. There are some things worse than anarchy, but not very many, and Britain therefore will insist on what are called 'safeguards'. I was satisfied at the Round Table Conference that there would have been no great difficulty over safeguards, and this view was shared by careful and moderate Indian observers.

What, then, is the obvious line which Government policy should follow? The broad answer is plain.

India must have a strong unified Government. But it is our duty to take steps to see that India provides it for itself, and the first, the most difficult, step is to settle this Hindu-Moslem altercation which Mr. Gandhi could not end in London. The British Government must settle that itself and take the risks. It is going to do so.

The next great step should then be to draw up not merely a series of provincial constitutions but a federal constitution as well. All federal constitutions are full of pitfalls, but there has never been one with so many difficulties as that which India presents. This is the task that should occupy the British Government during the next six months, and by its willingness to face this task it will eventually be judged.

Lastly, although this may seem strange to purely practically minded people, the result of one's policy in India depends not only on what you do, but on the spirit in which you do it. Success depends on how you personally deal

with Indian statesmen. They will take from one man what they will regard as an insult from another, because the one man respects them and the other they feel regards them as inferior species. In discussion with Indian politicians do not be metaphysical. They will defeat you. State plainly what you want and what your reasons are, and if you are really thinking of the interests of India herself no body of men will be so ready to meet you half-way as Indians.

A revolution is taking place in India. It is, happily, an almost bloodless revolution at present, and if it so continues we shall have achieved the transference from absolutism to parliamentarism of from a quarter to one-fifth of the human race. That will be an accomplishment which in the political sphere will have no parallel in the story of mankind.

(B) COMMENT (ABRIDGED)

by

THE MUNSHI ISWAR SARAN

Former Member of the Indian Legislative Assembly.

I HOPE I am not divulging any secret when I say that Mr. Lees-Smith and a friend of his, the Rt. Hon. Wedgwood Benn, were of invaluable help to those Indian members of the Round Table Conference who were fighting according to their lights on behalf of India.

There is, however, a difference in our temperaments—Mr. Lees-Smith *cannot* feel, as I do, the situation in India to-day. He is an onlooker. But, as Mr. Lees-Smith has said so profoundly, the entire trouble in India will go if the spirit is transformed—may I, then, use the words of Gandhi —'If there is a change of heart'.

What does India want? Believe me, no constitution will ever satisfy India unless and until India becomes the mistress in her own household. British statesmen and politicians are still thinking of India in terms of a nation to which reforms have to be applied and which has to be asked to agree to this and to agree to that. That mentality, I assure you, will have to change, for if it does not nothing but trouble is in store for India and, I am afraid, in store for England as well.

Admittedly there are difficulties. Take a man from Madras and take myself from the United Provinces—his dress is different from mine and his language to me as intolerable as the French that is spoken in Geneva. His food is different and his features are different. But what the non-Indian forgets is that there is such an essential, funda-

mental unity between me and my brother in Madras which is utterly incomprehensible to a person outside India. We have the same ideals, we have the same impulses; more or less we lead the same life.

We have been told that caste presents an enormous difficulty to a Western mind. You say, 'Good heavens, if they cannot dine round the same table how can they ever be united?' But when this question of caste is brought up you have to look at it in its true perspective. As a social institution it is disappearing, and it is our Eastern conception that you attach far too much importance to meals and to marrying. As to untounchability, you will be pleased to learn that very serious efforts, especially under the inspiration of Gandhi, are being made to remove it and it is fast disappearing.

As regards the question of the depressed classes being a difficulty in the present situation, let me remind you that one of their representatives, nominated by Government to attend the Round Table Conference, since his return to India is finding that his plea for separate electorates for the depressed classes is being resisted by the people of his own class. What they say is exactly what Gandhi said at the Round Table Conference—'I shall not consent to separate electorates for the depressed classes because by this concession I am putting the brand of inferiority on the depressed classes, which I shall not be a party to.' He did not want a distinction between the so-called higher castes and the depressed classes to be perpetuated, as it were, in Statute.

I come at once to the other matter of which one reads a great deal in the papers—the Hindu-Mohammedan question. The picture is given of every Hindu being as anxious as he can possibly be to kill a Moslem and vice versa. I should

say this idea is in some cases due to ignorance, in others to misconception, but in the vast majority of cases to political reasons. It is a very nice stick with which to beat the Indian.

If one remembers the following points, I think this matter of riots assumes its right proportions. Firstly, India is a land of villages, and you hear very little of riots in the villages. Secondly, before the British rule there were wars, no doubt, but not riots of the kind we are having now. Thirdly, these riots were perfectly unknown in the Indian States, that is to say, in that one-third part of India which is under the rule of Indian Princes. Fourthly, it is a mistake to imagine that the Mohammedans in India are the descendants of Arabs or of Afghans. As far as the race goes, 90 per cent are Hindus who have accepted Mohammedanism. There is therefore no question of race involved. It is only a question of religion.

You will find that the reason why certain representations were made at the Round Table Conference was because most of the delegates, unfortunately, were rank communalists, but there is in India a very large section of the people taking a nationalistic view. Out of 30–40,000 who have been sent to jail a very large number are Mohammedans. There are associations of Mohammedans who are to-day working side by side with the National Congress and who are being moved by the same impulses and have the same aspirations. A great effort was made to secure their representation in the Round Table Conference but without success.

There has been a great deal of insistence on the question of safeguards. At one of the sittings of the Federal Structure Committee Gandhi said—and here I am showing you

his attitude of mind, his method of approach, his magnanimity and the greatness of his heart—'I have no hesitation in amplifying the admission and saying that these safeguards must be also of benefit to Great Britain. I do not want safeguards which are merely beneficial to India and prejudicial to the real interests of Great Britain. The fancy interests of India will have to be sacrificed; the fancy interests of Great Britain will have to be sacrificed. . . . Safeguards are necessary.'

The question will be asked, 'What are those safeguards?' There were certain safeguards suggested about the army, finance, and so on. Let me tell you perfectly clearly that nothing short of independence will satify India. If there are safeguards which take away from the substance of that independence (unless it be for a short period agreed to by the Nationalist Party) and make us feel we are still not a free nation to occupy our position among the free and self-governing nations of the world, then such safeguards will be rejected.

If the Government thinks that with the help of the depressed classes, of the Mohammedans, and of the Princes they will carry through the next Constitution in spite of Gandhi or the National Congress opposing it or even boycotting it, let me say that when you think of the depressed classes you cannot rely on *all* the depressed classes; when you think of the Mohammedans you cannot rely on the *whole* of that community. In that community every day the Nationalist movement is gaining in strength. The authorities in England say, 'What does it matter if we have 20–30,000 people in jail? Let us get along with the Constitution and with the help of the other sections we shall carry on.' But ordinances really mean martial law. There

was martial law in India for six months and there is martial law even now in a limited area. Does the British politician in England imagine that all the bitterness that is being produced in India is to the good of England or of India? At a distance of 7,000 miles they do not and cannot understand it.

Any Constitution that is built up without agreement on the part of Gandhi can only lead to disaster. There are millions of men and women to-day who are ready to sacrifice their all, lay down even their very lives, at his bidding. You have to take this fact into account, and if you do not—God help you.

What, then, does Gandhi want? Gandhi is considered by some people to be anti-British, anti-Western. That is not so. If there is one man in India to-day a friend of Britain, that man is Gandhi. In his speech at the Round Table Conference he said: 'I want Britain and India to be together not only for their own interests but for the interests of the world.'

What Indians are out for to-day under the leadership of Gandhi is the recognition in the world, in the international world, of her status as a free and equal member of the international family. For this reason Gandhi's efforts should evoke the sympathy and interest of everyone throughout the world, because to-day he is adopting a method of non-violence which has not been adopted on this scale in the world before. If you go to India you will find hundreds and hundreds of men and women marching in orderly processions—they are beaten by the police, they faint, their heads are smashed, and yet they do not even raise their little finger to defend themselves. And no one in the crowd who does not belong to this procession ever raises a little finger to protect them. Men are struck down; they are put in

ambulances and taken to hospital. Still the crowd goes on; but still they do not resort to violence. This experiment as nothing else shows character, and if it succeeds, as I pray it may, it will revolutionize the world.

There is one great chance, only a chance now, and it is this: that Gandhi be consulted, his advice taken, his consent obtained, and a Constitution built up with such safeguards as are in the interests of India and which are acceptable to Gandhi. Then the friendship between India and England will endure. Otherwise there is nothing but trouble in store for both countries and for the world.

CHAPTER X

NATIONAL DEVELOPMENT AND RECONSTRUCTION IN THE U.S.S.R.

by
MICHAEL FARBMAN
Editor of the 'Europa Year Book'.

FIVE years ago I tried to convince you that Russia was making great strides on the revolutionary road from militant Communism to a form of State Capitalism. To-day I have a very different story to tell, the story of the return to a Socialist offensive, of the efforts to lay the foundation of a Socialist State.

i. *The Changed Attitude towards Socialism.*

Five years ago we were inclined to discuss Socialism from an academic point of view not exactly with complacency but as something with which we were not immediately or intimately concerned. Our present interest in Socialism is something radically different.

In the first place, the world economic crisis is of so extraordinary a character that it has compelled the public to recognize that it may not be an ordinary cyclical depression but be the ultimate crisis of Capitalism. Some persons indeed believe that this depression constitutes the beginning of the end of Capitalism.

Secondly, Socialism is becoming more familiar because it is invading actual life more and more. *Laisser faire* in economics is dying day by day; and State interference is becoming correspondingly frequent. One branch of modern

industry—unemployment—is at any rate fully socialized by now. But the number of people who are directly dependent for their employment not on private enterprise but on the State is increasing almost everywhere by leaps and bounds.

A Polish economist once expressed to me the opinion that in Poland the encroachment of the State in the economic sphere is so considerable that in twenty years' time he was convinced there will practically be no difference between the economic structure of Poland and that of Soviet Russia. The prophecy may be right or wrong; but the fact that in Poland the State is becoming all-powerful in the economic sphere cannot be denied. Because the industries of Poland are largely financed on foreign capital; and a too-open interference of the State with industry would be likely to frighten that capital away. The *theory* of Étatism is in abeyance, but the *practice* of State control is steadily being extended. The system of export and import licences is creating something very like a monopoly of foreign trade. Finance, including banks and investments, is rigidly controlled by the State. Add to this the State monopolies of drink, sugar, tobacco, matches and, strangely enough, of lotteries, and a chain of State-owned and controlled industries, including mines, foundries, munition factories, as well as the control of the State over an ever-increasing number of semi-militarized factories, and you will realize that Poland is, economically speaking, already half-way on the road to some sort of Socialism, by whatever name it may be called.

The situation of Germany reveals the growth of Étatist tendencies even more clearly. The State control of finance in Germany, and lately of such basic industries as steel, is an unmistakable symptom of this growth. The Brüning régime was irresistibly driven to adopt the system; and the

extraordinary decrees which the late Imperial Chancellor issued during the two years of his rule were all striking illustrations of the encroachments of the State on the rights of private enterprise. The present Junker reaction is obviously due to the revolt of the German landlords against this growing control of the State.

I need hardly remind you that Mussolini's scheme of a 'corporate State' now being attempted in Italy is a variation of the same Étatist tendency. In England and in America State interference has made less considerable inroads; but even there public utility companies and corporations are steadily gaining ground.

May I add a third reason for the fact that we are discussing Socialism to-day in quite a new way. The reason is that we are finding that Socialism in reality is something rather different from what we had imagined, perhaps less lofty and maybe less pleasant, but at any rate very much less frightening.

Speaking of the changes of approach to the Russian question, I may perhaps be allowed to allude to the complete lull of the secular campaign against Russia. The summer of 1932 will in fact be regarded as unique because it is the first summer since the outbreak of the October Revolution of 1917 in which no particular anti-Bolshevik agitation has been started. Whether this is because the Bolsheviks are behaving more nicely, or whether the outside world is too busy with its own problems, it is not for me to say. The explanation may indeed be even simpler. It is quite conceivable that the public is sick to death of these periodical proclamations of a *Red menace*.

In any case, it is gratifying to know that I am not called upon to deal once again with sinister designs and those

destructive tendencies of the Revolution which have figured so prominently in the Russian discussions of previous years. We can now devote our time to the more interesting and more important question of the constructive endeavours of Russian Communism. The international significance of Russia depends, in my opinion, on her positive and concrete achievements. Indeed, it is no paradox to declare that it is the constructive rather than the destructive efforts of the U.S.S.R. which constitute the real Russian menace.

ii. *International Effects of Russia's Constructive Effort.*

I used the phrase menace; but I am not quite convinced that it expresses correctly the future relations of Russia to the world. I for one am quite prepared to believe that Russia's contribution to the world stock will be beneficial rather than disturbing. In saying this I don't want to declare, or to be understood as suggesting, that Russia is likely to lead the way to social and economic progress. What I do expect is that Russia, in the course of the next few years, will be able to make such considerable strides in industrialization as will guarantee her that position in world economics to which she is surely entitled.

Despite nationalist reactions in politics and economics we happen to be living in a world in which international relations are becoming every day closer and inextricable. Prosperity cannot be developed in strictly national compartments. The misery of Russia or of China is not exclusively their own national concern. The world is poorer and not richer if great countries like these are wretched and impoverished.

The effect of the unprecedented slump in the United States was felt and is still being felt all over Europe, while Germany's financial collapse was followed by an immediate

and universal credit crisis. So interdependent are the nations of the world.

Similarly, Russia's advance on the road of prosperity cannot be a menace to the economic recovery of the rest of the world; it must represent, on the contrary, a guarantee of that recovery.

iii. *Bolshevism not an Experiment.*

You will see that I scout the menace theory. You will notice, too, that I have incidentally disposed of the rival theory which exalts the new Russia almost as a model. But you probably will be surprised when I tell you that I reject with equal emphasis an even more popular and more plausible theory—I mean the experiment theory. The essential point of this theory is a plea for the adoption of a complacent, almost benevolent, attitude towards the latest phase of the Bolshevik Revolution on the ground that it is a social-economic experiment, by the results of which all the world may ultimately benefit.

Every social reorganization, whether on evolutionary or revolutionary lines, has the qualities of an experiment, as confirming or rejecting certain theories and ideas. But it is preposterous to represent the embryo Communist State now being established in the U.S.S.R. as the staging of a vast social-economic experiment. The first principle of experimenting is doubt, a desire to verify or to refute a theory; but can anyone who knows anything about Lenin believe that he needed any confirmation of his theories. Neither he nor his followers are hampered by any doubt as to the efficacy of Marxism. They are not experimenting; they are building up a Socialist society in the fullest confidence on Socialism. And not only those in command but those who are com-

manded are totally unconscious of staging an experiment and awaiting its results.

The spirit of Bolshevism is not that of the experimenter but that of the pioneer. There is nothing provisional or tentative about it; the possibility of failure is not envisaged and has no place in the scheme. Needless to say, a certain opportunism and pragmatism enters into the building of the new order; and it is probably correct to describe the method by which it is being built as one of testing and rejecting, or advancing and retreating. Take the promulgation of the New Economic Policy, a move to the right; take the abolition and the subsequent reintroduction of money; take the various policies adopted towards wages and factory management, some contravening it would seem the very essence of Communist doctrine. All these tergiversations may look like experiments; but they are not really experiments; they are merely tactical movements. Methods and machinery have to be improved and perfected; but all this occurs without anyone concerned feeling any doubt or question as to the inevitability of the goal.

It may, however, be urged that though not intended as an experiment in the U.S.S.R., the attempt to found Socialism in Russia must be regarded as an experiment by the outside world. Political, social, and economic conditions and institutions which prove their worth in one country are often adopted in others. But in this particular case the basic conditions are so stringent and revolutionary, are so interwoven with national and historical traditions, that they seem hardly capable of transplantation.

If we consider post-Revolutionary developments in Russia as a whole, and present-day activities in particular, we soon realize that we are witnessing there the operation of

two separate schemes, which happen to coincide in point of time. The one is a hurried, because a belated, attempt to modernize Russian industrial and agricultural conditions in the shortest possible time. The other is an endeavour to organize the social and economic life of the country on a Socialist basis. That these two schemes happen to synchronize is explained by the facts of Russian history, but such a synchronization could not take place anywhere else in Western Europe for the simple reason that here the stage of industrialization was reached long ago. Of course, there is a colossal difference between Western industrialization and what is being attempted by the Bolsheviks. To the Western mind industrialization is identified with individual effort and the sacred principle of private ownership. Whereas the industrialization in the U.S.S.R. is being carried out under State ownership and with private property abolished.

Industrialization in Russia is neither an attempt to imitate Capitalism nor to reform it; it is a resolute attempt to abolish it altogether. It is therefore absurd to conceive that it is possible to buttress up Capitalism by borrowing a few planks and bricks from a system which is designed to render Capitalism obsolete.

The desire to regard Bolshevism as an experiment is essentially the attitude of people who are timid and wish to be deceived, who wait and see when the time calls for decision and activity.

What these people seem to urge is something like this. There is a great experiment going on; in a country embracing 160 million people; a country with an area of one-sixth of the globe. Surely in these circumstances it is not only unwise, but positively reckless, to do anything more in the social-economic sphere than merely mark time!

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Need I characterize such an argument?

If Communism is established in Russia, does anyone seriously believe that this involves the painless and automatic introduction of Communism into France and Great Britain or the United States? Certainly not. Any form of Socialism which is established in any country will be the result not of a desire to emulate what has been done in Russia, but of two factors: (1) the inability of Capitalism to function smoothly and (2) the determination of the working class to reconstruct industry on Socialist lines.

The theory that Russia is a laboratory in which Providence is working out a great experiment for the benefit of suffering humanity seems at first sight quite pretty. Soberly considered, however, it must be recognized for what it is—a mere subterfuge by which certain well-meaning but not very clear-sighted intellectuals seek to avoid the contemplation of that unpleasant spectacle—the class struggle.

The Bolsheviks, at any rate, have no illusions on the point. They not only ridicule the idea that the Capitalist world is eager to follow any sound innovation in society and economics, but they are seriously afraid that the more they succeed in establishing the new order, the sooner and the more determined will be the opposition made to it. This fear of being attacked is an obsession with them; and no reasoning is likely to persuade them out of it.

In their view history has left them only a short time to prepare for this attack; and, as you are doubtless aware, they expect it to take the form of an actual military intervention, war, and blockade. Yet while they are making a serious effort to improve their defensive forces, they are obviously relying ultimately on a victory of ideas rather than arms. When the Bolsheviks speak of the inevitable contest between

Capitalism and Socialism they are thinking more of the necessity of a fight against individualist tendencies, habits, and instincts in Russia than of repelling the expected capitalist crusade.

The pronouncements made by Lenin on this point leave no doubts whatsoever. What he had in mind was the need of establishing in Russia the superiority of what he called the Communist discipline of labour over capitalist anarchy. He recognized that this superiority could only be established by years of arduous labour. Moreover, he perceived that the eradication of individualist traits was a process of conversion which must take place in the minds of every man, woman, and child.

Of course, Lenin's query Who—Whom? meaning who destroys whom, and who triumphs over whom, permits of a wider application and may well anticipate a final convulsion in which the battle between Capitalism and Socialism is fought out in the international field. Whether this is inevitable or avoidable, whether it is imminent or remote, whether it will take the form of a desperate attack of crumbling Capitalism on the new order or of a Socialist crusade against Capitalism, it is idle to speculate.

Let us then forget for a while the possibly world-wide implications of Bolshevism and, returning to the narrower meaning of Lenin's dictum, try to discover which forces are gaining or losing in Russia.

iv. *The Advances and Retreats of Socialism.*

The determined movement toward Socialism which started with the inauguration of the Five Year Plan might seem to render such an enquiry superfluous. In no period since the outbreak of the Revolution has this principle made

greater inroads. The advance made, indeed, has been so considerable that it has emboldened the Communist Party to declare (at their last conference) that the next five years will witness a complete disappearance of classes and of all sorts of exploitation.

'The completion of establishing the foundation of Socialism in the U.S.S.R.', runs one of the resolutions, 'means that Lenin's query "Who—Whom?" is decided against Capitalism and in favour of Socialism absolutely and irrevocably in the villages as well in the towns.'

The Bolsheviks, you see, are quite sure that Socialism is going to down Capitalism.

Yet a series of measures decreed during the last few months establishing a differentiation of earnings and reintroducing a free market in agricultural produce have created the impression abroad, and to some extent in Russia itself, that the Socialist advance has lost its momentum and that an actual retreat is imminent. Some observers have ventured to proclaim that Stalin has had to bow to economic necessity and is preparing to promulgate a sort of Neo-NEP.

What, then, are we to make of this situation? The first and obvious lesson of recent Russian history, I think, is that progress rarely takes a straight line. And the second, and perhaps more surprising one, is the Bolsheviks' recognition of this fact.

Some of you will probably remember that when the Bolsheviks assumed power the most deadly criticism of them was that they were doctrinaire. The ruling classes of Europe pride themselves on being practical men of affairs. They denounce all those who wish to apply abstract theories to the business of government as doctrinaires, that is to say as reckless amateurs or unscrupulous adventurers.

One cannot, of course, deny that in a sense the Bolsheviks are most decidedly doctrinaires. Yet the surprising thing is that devotion to doctrine has never prevented them from proving very flexible and elastic in policy.

What is wrong with the Bolsheviks is not their devotion to theory but their headstrong zeal in translating it into action. Whenever they find an opportunity to promote their views and to make another advance towards Socialism they always bite off more than they can chew. But when a retreat becomes inevitable the doctrinaire and zealous pioneer is surprisingly ready to give way to the counsels of moderation and safety. The unfortunate thing is that the Capitalist Press always represents such retreats as a debacle.

But it is probably true to declare that every time the Bolsheviks make a fresh attack they are able to do so from a more salient and more favourable position.

The New Economic Policy, which Lenin introduced in 1921, was a very complete retreat along the whole line and was accordingly hailed as a return to Capitalism. But, despite all this the Bolsheviks managed to retain just those few outposts of Socialism, or, as they called them, 'commanding heights', which enabled them to safeguard the essential gains of the Revolution. So when the time came for making a fresh advance towards Socialism five years ago, they were in a much more favourable position than they were in October, 1917.

This new advance was therefore made on a much more extensive front and succeeded in penetrating much deeper the defences of individualist economy.

It is quite conceivable that in this new advance the Bolsheviks have again over-estimated their immediate chances and will not be able to consolidate *all* their immense gains.

But the situation is now so advantageous to them that they can retreat a long way without sacrificing valuable ground.

I am suggesting, you will observe, that the battle for Socialism which is being fought now in the U.S.S.R. may be conceived as a succession of advances and retreats, the net result of which is a consolidation of Socialist gains.

But let me stress another point. Retreats are made, of course, under pressure. Yet some of the concessions and modifications of policy which look like retreats are not the direct result of the resistance of the individualist to the Socialist principle, but of the growing realization that many elements of an ideal, that is to say, a purely theoretical Socialist State, are unworkable in the present transitional period. The main significance of these concessions is their revelation of the fact that the Bolsheviks are bent on satisfying the great need of present-day Russia, the establishment of a harmony between the abstract doctrine of Communism, and the concrete conditions of the embryo Communist State. The establishment of a system of wages based on payment by results has been widely construed as a death-blow to the equalitarian principle and therefore as a serious departure from orthodox Communist policy. But this may be a mistaken view.

We have grown so accustomed to opposing the Communist antithesis of complete equality to the capitalist thesis of natural inequality of man that the moment we see the slightest deviation from rigid equality we are inclined to think that the Bolshevik system has been undermined.

It may be, however, that this partial abandonment of the equalitarian principle is the result of a search for some kind of synthesis between two equally rigid theories—the ethical equality and the economic inequality of man.

But however intriguing this question of remuneration may be, it is much more important to enquire whether the concession which the Bolsheviks have recently made in *agrarian policy* can be construed as indications of retreat. For the position of the villages in the development of the Revolution is one of paramount significance.

v. *Agriculture as the Pivotal Problem.*

From the very beginning of the Revolution agriculture has been the pivotal problem. Naturally, the events in the towns, the revolts of the urban population, and the immense achievements of industrialization have been more dramatic and spectacular and have attracted greater attention than those in the villages. But it is these latter events which have been the determining factor in the Revolution. And to-day it is the gigantic sweep of the new forces in the villages and the radical changes that are taking place there which invest Russian reconstruction with a revolutionary and perhaps a world-wide significance.

Plekhanov, the founder of the Russian Social Democratic movement, once declared that the Russian Revolution would succeed as a workers' movement or not at all. This was a bold statement which came true in October, 1917, when Plekhanov himself stood aside, bewildered and dismayed by the accuracy of his own prophecy. But the Russian Revolution succeeded as a proletarian movement only because the proletariat backed and led the agrarian movement of millions of peasants.

Plekhanov's famous dictum would, indeed, be more historically correct if it were paraphrased so! *The Russian Revolution will succeed as an agrarian revolution or not at all.*

'Let us', Lenin used to say, 'go slowly, as slowly as the

peasants' capacity for assimilating Socialist doctrines. Only when we have the peasants moving with us shall we be able to develop such revolutionary *tempo* as to-day is a mere dream.'

All who have followed even in perfunctory fashion the course of recent events in Russia will be aware how often this warning has been neglected and how invariably such neglect has retarded the ultimate pace of advance. And it must be noticed that this retardation has never been limited to the villages but has had its repercussion on the pace attained by Socialism in the towns.

The mere area and population of the country invest the agrarian revolution with significance. To-day less than 20 per cent of the total area is under cultivation; and yet this arable area amounts to over 315 million acres, or as much as the arable land of the rest of Europe plus that of Canada.

When as the result of the war and of the Revolution the cultivated area in Russia was so considerably reduced that Russian grain no longer appeared on the market, the area under crops increased throughout the rest of the world, especially in the U.S.A., Canada, Argentine, and Australia.

The recovery of Russia from this depression was bound to prove correspondingly serious.

The cumulative effect of even slight changes in such a vast area would be bound to be considerable. The increase of the yield of wheat per acre by a single bushel would give the country an additional 300 million bushels or nearly as much as the whole annual Canadian wheat crops.

vi. *The Mechanization of Agriculture.*

But what is being attempted in Russia to-day is not a simple and moderate reform of methods but a technical

revolution of the most thoroughgoing character, the ultimate aim of which is not a slight increase of acreage and yield but a sheer doubling of them at least.

The other way in which agricultural expansion in Russia will affect the world market is due to the variety of climatic conditions in that country and to the consequent variety of crops. Up to a year or two ago Russia had to import foreign cotton to feed her textile industry. To-day she is said to be independent of foreign supplies and the appearance of Russian cotton on the world market is no remote possibility.

Again, a third way in which this expansion is bound to affect this market is caused by the immense mineral resources of the U.S.S.R.

The discovery in the country of great deposits of potash and other mineral fertilizers will soon make Russia a lively competitor with Germany and Chile in this field.

In any discussion of the agrarian revolution in Russia to-day it is necessary to make a clear distinction between mechanization and collectivization: one is a technical and the other a social revolution. But that they are taking place simultaneously is hardly an accident.

May I remind you that the Revolution of 1917 (i.e. the appropriation of the landlords' lands) was made by the village as a whole, as a homogeneous class, under the stimulus of the slogan 'The land for the people'. The decree for the socialization of the whole of the land was entirely in accord with the wishes of the peasants, who had been striving to achieve in practice a complete equalization of holdings.

Between 1917 and 1921 Russia presented the unique spectacle of a country in which millions of peasants were brought down to an identical level in respect of size of holdings and of draught cattle. The ideal of primitive

Socialism which had been preached and glorified for nearly a century in Russian literature was at last realized. But no sooner was this system seemingly consolidated than it fell to pieces under the stress of economic necessity.

A new wave of differentiation swept over the villages; and in a few years' time three distinct classes had arisen there: the *bedniaki* (the poor), the *sredniaki* (the middling), and the *kulaki* (the well-to-do). The first of these classes had neither draught cattle nor implements; and so either left their holdings untilled or had to till them with seeds and cattle borrowed from their neighbours at a usurious rate. The second had one or two horses and a few primitive implements. The third were peasants who had increased their holdings by renting their neighbours' land, who employed hired labour, and who possessed several horses and the best of the village's implements. By about 1927 these comparatively well-to-do peasants, who formed less than 10 per cent of the village population, possessed nearly 40 per cent of all available cattle and implements. It was the appearance of this new class of prosperous farmers which led the world to believe in 1927 that Russia was well on the way to a capitalist evolution.

Whether this revival of differentiation would ultimately have developed strength enough to eradicate the traditional equalitarian and communal sentiments, it is not easy to say: first because the envy felt by the poorer and less industrious peasants for their more prosperous and more industrious neighbours constituted a very real factor of village life; and secondly because the policy of the Government encouraged the co-operative movement and inside this movement gave preferential treatment to the poorer class.

The penetration of the villages by the co-operative principle

was in fact so far-reaching that many persons began to believe that it foreshadowed the arrival of the Socialist commonwealth.

But this was a sheer delusion. Co-operation, however successful it proved as a principle or organization, left unthreatened that bane of Russian agriculture, small-scale cultivation. The toleration which Lenin had extended to this system had been a mere temporary expedient. He dreamed of an electric plough, which was destined to break through the hedges and furrows which divided Russia into millions of small-holdings. This plough is still in its experimental stage; but the oil-driven tractor and the combine-harvester have invaded the U.S.S.R. and have made history there.

The application of mechanical traction to the cultivation of the soil is a post-war innovation which already bids fair to take as high a place in the economic history of the world as the application of steam and electricity to industrial production. Unfortunately, but by no means uniquely, the initial effect of this technical revolution is being felt to-day in a prolonged and acute world depression. Its ultimate and beneficial results, as I shall explain later on, are likely indeed to be seen not in the advanced and wealthy land of its birth, but in so comparatively backward and impoverished a country as Russia.

The introduction of the tractor into Russia possesses such a peculiar interest that I may perhaps be pardoned for giving a brief account of it. It took place as early as 1922, when I remember seeing a film depicting the working of one of these machines, shown outside the entrance to the Opera House at Moscow, and regarded by the crowd, I must confess, as a very comical spectacle.

At that time Ford tractors were being imported and actually sold (on long credit terms, of course) to the well-to-do peasants. This first attempt proved, however, something of a fiasco since most of the machines were smashed on their first trial. Still, even this disastrous result taught the useful lesson that mechanized methods are quite incompatible with small-scale cultivation. Only where a number of tractors are used on a compact area is it possible to establish regular repair shops.

For a time, then, tractors were used only on State farms; and their reintroduction to peasant agriculture is bound up with a most radical innovation—the State monopoly of mechanical traction and the Machine and Tractor Stations. This remarkable innovation originated in a pure accident. The enterprising head of a State farm in the Ukraine who could not regularly employ all his tractors offered some of the peasants in the neighbouring villages the use of his machines to till their land on condition that they pooled their holdings and paid the State 25 per cent of the crops so raised. The success of this experiment was hailed with delight by the Government, which saw in it the solution of two all-important problems: the first that of popularizing the principle of collectivization and the second that of making the most economical use of their small tractor park. To-day the State monopoly of mechanical traction is as cardinal an article in the Communist creed as the monopoly of all other forms of energy.

The original function of the tractor was, I suppose, just to supplement the energy of the peasant and his beasts. But the assembling of tractors in a station independent of individual holdings and free to operate over a large area was a distinctly new departure, calculated to enhance the impor-

tance and possibilities of the new technique. Under the new arrangement tractors could be used to their full capacity, by being moved about whenever they were wanted over a large area. There are now over two thousand Tractor Stations in Russia and the aim of the Government is to increase their number to six thousand during the next five years. To give you the idea of their average size I may inform you that each one contains about seventy-five tractors and a full complement of heavy disc ploughs, drills, harvesters, and other implements, together with motor-cars and motor lorries.

A tractor station has all the characteristics of an average factory. The central buildings of it comprise repair shops and sheds as well as a power station and many have pipe lines installed for the conveying of petrol from the nearest railway stations. Attached to the main buildings are schools for mechanics, tractor-drivers, and harvest operators.

The station supplies the villages with only the mechanical power. The drivers and operators are supplied and paid by the Collective Farms. But they have been trained at the station and have there imbibed the full enthusiasm for the new technique. In this way they are a guarantee of the adhesion of the peasants to the principle of mechanization.

It is expected that in the next few years the tractor stations will contain no less than two million tractor drivers, as many minders of complicated machines, not to speak of a host of mechanics, technicians, and engineers—a veritable army of convinced and professional adherents to the principle of mechanization and collectivization of agriculture.

To-day the number of tractors in the U.S.S.R. is not more than 150,000 and quite a number of them are used outside agriculture. Had they been employed, as tractors are employed in the United States, on single estates, only a

small portion of Russian soil could enjoy the benefit of mechanical energy. In the United States there are nearly one million tractors used in agriculture, but only 20 per cent of the cultivated area is ploughed by them. Yet in Russia with only one-tenth of this number of tractors more than twice as big an area is receiving the advantage of mechanical traction. This is obviously due to the organization of tractor stations. A tractor station, however, is not only important *per se*; it has become the centre of the entire energy of the collectivized villages. The tractors of a station and the horses of a collectivized village are used in combination, the former doing the heavy work and leaving the lighter operations to the latter. In this way the benefit of tractor energy is distributed over an area out of all proportion to the actual number of tractors available in the country.

It is difficult to exaggerate the technical and economic significance of this innovation. The employment of tractors by single holders or groups of holders would inevitably have tended to strengthen the individualist and capitalist forces in the villages. Owners of tractors, harvesters, and threshing machines would naturally try and find it comparatively easy to obtain more land to feed the machines; whereas the new organization renders a capitalist concentration of land out of the question.

This is the negative Socialist effect of the stations; but they exercise also a direct and positive Socialist influence, for they presuppose large-scale cultivation. And large-scale cultivation in the present Russian circumstances is tantamount to collectivization of agriculture.

A tractor station cannot enter into an agreement with individual holders; and to be run economically it must serve a whole village or several neighbouring villages. The

pooling of the holdings is therefore the indispensable preliminary to obtaining the benefits of the tractor station. And this pooling is, of course, the first and irrevocable step towards collectivization.

As you are aware, opinions about collectivization and its ultimate success or failure are divided. This, I think, is due to the circumstance that the essential and unessential factors of the phenomenon are often confused. In my view the essential factors are the pooling of the holdings and the organization of labour as team work. The remaining factors, some of which are decidedly important, such as the division of profits, the scale of remuneration, and the whole internal administration, are nevertheless non-essential to the existence of collectivization.

If, then, I am right in regarding the pooling of holdings and organization of labour as team work as the two efficient factors of collectivization, there can be no doubt that it has proved a marked success in Russia. Were there any doubt of this, tractor stations would go far to guarantee it. They are a notable addition to what Communists call 'The commanding heights of Socialism'.

We can now return to the discussion of the question whether the concessions made recently to the peasants by the Bolsheviks constitute a retreat from Communism or a mere tactical movement. I maintain that all these measures, whether important or unimportant in themselves, are concerned with *unessential* factors.

Whether the members of the *kolhozi* are compelled to sell all their surplus grain to the State at a fixed price or are allowed to dispose of a part of it in the free market at an economic price; and whether they may or may not keep

cows, poultry and pigs, and sell meat and dairy produce for profit, all these are, of course, very important matters for the peasants. But the decision one way or another has no bearing on the existence or success of collectivization.

The problems of distribution and of internal administration will only become crucial when collectivization has been merged in full socialization. But then production will also have assumed a different character. To-day, in the transitional period, the aim of collectivization has been attained when the peasants have surrendered their individual rights in the land and have agreed to cultivate it in common.

vii. *The International Significance of the Agrarian Revolution.*

Perhaps I may devote a few concluding remarks to the international significance of the present, perhaps culminating, stage of the Russian agrarian revolution.

The difficulties which the mechanization of agriculture has encountered in the U.S.S.R. have been enormous. The inexperience and the lack of mechanical skill of the population and the deficiency in management have proved a very considerable but not an insuperable obstacle. One need not be a light-hearted optimist to predict an extraordinary development of Russian agriculture in the next few years. The enormous investments which the Government is making in machine construction, in chemical industries, in the manufacture of motor vehicles and tractors; the training of millions of peasants in the handling of tractors, motor-cars, combine-harvesters, and other complicated agricultural machines; the encouragement of the invention of new implements for improving the cultivation of cotton, flax, beetroot, and other technical plants; to say nothing of the heavy State expendi-

ture on irrigation, electric power, transport, and roads—all this, combined with the newly awakened activities and enthusiasm of the rural population, promises surely a quite unprecedented expansion of Russian agriculture.

Moreover, the enormous increase of crops here foreshadowed is in no way threatened by any vagaries of the market. The Russian internal market is able and eager to absorb the greater portion of them. Nevertheless, if the new agricultural technique gains the supremacy in Russia, it is bound to make itself felt more and more in the world market.

This is one aspect, and a sufficiently formidable aspect, of the international significance of the Russian agrarian revolution. Whether this *menace* can be effectively countered by the adoption of higher and higher tariffs is a question which I shall not attempt to answer.

Another aspect of this revolution which is worth contemplating is the possibility, and in fact the likelihood, of other agricultural countries falling in line with its main principle—mechanization of cultivation.

I believe that the crisis through which all such countries are passing is a symptom of their inability to adhere any longer to the *horse-and-wood* technique of nineteenth-century agriculture.

A technical revolution in cultivation is called for not only in the interests of agriculture but in that of industry as well. The mere replacement of the obsolete peasants' carts by small motor lorries would give a tremendous fillip to the iron and steel industry throughout Europe. In Germany alone there are 10 millions of such carts; and German experts calculate that the replacement of 100 million wooden wheels employed in agriculture by iron ones would cause

an industrial boom. It is quite obvious that a comprehensive mechanization of agriculture would not only end the depression but inaugurate a period of prosperity.

However, mechanization of agriculture will not be solely a technical revolution. It will involve, I believe, social and cultural changes as well, which are long overdue.

The contradiction between industrial progress and agricultural stagnation is one of the most calamitous disharmonies of modern civilization. Agricultural workers to-day are carrying on their business in the atmosphere of a past century. They are obliged to toil harder than their industrial comrades, they are deprived of many of the amenities which the latter enjoy; and they are remunerated at something like starvation rates.

It has been suggested that what the countryside needs is urbanization. But urbanization as at present known seems to consist in nothing more than a fleet of omnibuses and a travelling cinema.

What the countryside seems to stand in need of is not urbanization but a thorough modernization and mechanization.

Whether, however, mechanization is possible without a radical change in the relative social status of the farmer and the farm-hand, whether, that is to say, mechanization is compatible with small-scale individual farming, is a question we must leave to the future to answer.

CHAPTER XI

THE SINO-JAPANESE DISPUTE: IMPRESSIONS OF AN EYE-WITNESS

by

DR. SHERWOOD EDDY

Author of 'The World's Danger Zone'.

I SPENT recently five months in the Orient. I went to China at the invitation of certain Chinese friends, and I accepted that invitation because I believed that China was entering upon a life-and-death struggle with Communism. Whatever constructive measures Communism has achieved in Russia, it assumes so terrible and so destructive a form in China that I look upon it as China's chief menace. I found conditions there even worse than I had anticipated.

Manchuria is an obvious danger zone between China, Japan, and Soviet Russia, where these three great Powers of the Orient meet and cross destinies. On the map Manchuria seems to fill an insignificant space, but it is more than twice as large as Japan, almost as big as France and Germany combined, larger than eleven American Eastern States, including New England, New York, and Pennsylvania. Japan dominates in the South, Russia had controlled the North. Of its 30 million inhabitants about 28 million, or 95 per cent, are Chinese; less than 250,000, or one per cent, are Japanese, who are outnumbered by the Chinese more than a hundred to one. Twenty-five years of strenuous effort on the part of the Japanese Government has been insufficient to induce that home-loving people to settle in the cold climate of Manchuria.

As between China and Japan in Manchuria it is a case of 'mutual exasperation': they have got on each other's nerves. Each believes that the other is the aggressor, breaking its treaties, threatening the very existence of the other. Japan has a strong case in Manchuria. China also has a strong case.

I went to Japan at the invitation of the Japanese liberals. I found in that country a complete war psychology, such as I had found in France and Great Britain during the Great War. There was a rigid censorship of the Press; no paper was allowed a free editorial policy. There was no free expression of public opinion, and I found no individual in all Japan who dared to speak out in the Press or on the platform, boldly to challenge the policy of the Government or of the Army. As an example of this war psychology I found a Japanese college of some six hundred boys who had just presented to the Army a white silk banner stained with their own blood. Each of these young patriots had cut a vein in his hand to make his imprint upon this flag now dyed red, to be patriotically carried to the front by the enthusiastic soldiers. The incident reminded me of a Chinese school of boys and girls I had just seen in Nanking, students from fifteen to twenty years of age, hatless, clad in their thin cotton garments, marching on foot for more than a thousand miles from Shanghai to Manchuria, carrying at the head of their procession a coffin which was to bury the first hero or martyr of their number who should fall. They were trying to rouse the youth of their land for the recapture of their lost province by a kind of students' or children's crusade.

i. *The Japanese Case.*

Japan might state her case somewhat as follows: It was only some forty years ago when Japan achieved a modern political constitution. Later, when she arrived upon the imperialist scene, she found some seven-eighths of the best parts of the habitable globe already controlled or exploited by the Anglo-Saxon and European Powers. France with her twenty-nine colonies possessed an empire twenty times the extent of France herself; Holland held possessions sixty times as large as her own territory; Belgium had an overseas empire eighty times the size of the mother country; and Great Britain was ruling areas a hundred times as large as herself. Japan saw the United States in the Philippines and elsewhere with an ever-widening economic imperialism, intervening some thirty times by force in as many years in Latin-America, often in situations not unlike the present one in Manchuria. Japan had plenty of precedent for her action in Manchuria. Her fault lay in the fact that she was trying the old methods in the new era, after signing three solemn treaties, the Covenant of the League, the Washington Nine-Power Treaty, and the Pact of Paris, by which she had renounced the old war methods.

Japan had fought three successful wars a decade apart and had never been defeated. The Russo-Japanese War which ended in 1905 had cost her over 100,000 lives and nearly a billion dollars, or two hundred million sterling. She invested another billion in the building of railways and in the economic development of Manchuria. After all its cost in blood and treasure, Japan felt that this region had become for her a combined Monroe Doctrine, Panama Canal, and battlefield of Gettysburg.

Japan claims that she expected the usual division of spoils at the end of the World War. She anticipated this in the Twenty-one Demands which she made upon China, most of which were incorporated in the two treaties of 1915, signed under Yuan Shih-kai, and which she saw steadily broken and evaded by China. In 1924 the United States excluded her nationals from that country. Had her emigrants been admitted upon a quota basis like the European nations, it would have involved the admission of only one hundred and fifty-four Japanese a year into the United States, which a single large city like Los Angeles, San Francisco, or Chicago could easily absorb. America's Exclusion Act seemed to Japan a deliberate and gratuitous insult by which she had been branded as an inferior. Japan cannot forget this.

She finds herself to-day, with a rapidly increasing population, shut up in her narrow isles, marvellously beautiful in natural scenery, but lacking in soil, in coal, oil, iron, and nearly all the economic necessities of an industrialized State, many of which she finds in abundance in Manchuria. Manchuria also provides her with her first line of defence against the possible encroachments of Soviet Russia. In China, Japan claims that she sees a weakened, crumbling society, incapable of providing good government either in China proper or in Manchuria. The Japanese militarist claims that he can give Manchuria the good government and effective economic conditions necessary for its security and development, and necessary for Japan's own existence as a modern State. Japan had a strong case if she had been willing to state it before any court of law, or international tribunal, as she had solemnly promised to do in her engagements with the League and the United States.

ii. *The Chinese Case.*

China also has a strong case. She can point to four centuries of invasion and pillage by imperialistic nations. Her territory has been torn from her. Britain took Burma and Hong-Kong, Japan seized Manchuria and Formosa, Russia and France have taken Eastern Siberia in the North to Indo-China in the South. Seventeen nations had imposed on her in the hour of her weakness their unjust and unequal treaties. But most unjust of all she considers Japan's treaties of 1915 which embodied most of her Twenty-one Demands, which would have deprived her of her sovereignty and threatened her national existence. These treaties were extorted under threats, they were never ratified by the Chinese Parliament, as the constitution requires, and have always been repudiated by intelligent Chinese public opinion from that day to this. To-day, in addition to these older injuries, China points to the three international treaties flouted by Japan:

1. Under the Covenant of the League of which Japan was one of the original members Japan had solemnly promised that in 'any dispute likely to lead to a rupture they will submit the matter either to arbitration or judicial settlement, or to an enquiry by the Council', and they agree in no case to resort to war until three months after a judgement had been given. China asks, 'Has Japan kept or broken this solemn promise?'

2. In 1921–22, by the Washington Nine-Power Treaty, Japan agreed

> 'to respect the sovereignty, the independence, and the territorial and administrative integrity of China, . . . to refrain from taking advantage of conditions in China to seek special rights or privileges'.

China asks, 'Has Japan kept or broken this promise?'

3. In the Pact of Paris Japan agreed to

> 'condemn recourse to war for the solution of international controversies. . . . The settlement or solution of all disputes or conflicts of whatever nature or whatever origin they may be, which may arise among them, shall never be sought except by pacific means'.

Has Japan kept or broken this Pact?

Secretary Stimson, in his note to Senator Borah of 24 February, 1932, declared that 'it is clear beyond peradventure that a situation had developed which cannot under any circumstances be reconciled with the Covenants of these two treaties'. Mr. Yoshizawa, in referring to this note, makes the following amazing statement: 'Our view of the Nine-Power Treaty is that when the Powers undertook to respect the sovereignty and integrity of China they did not mean that these actually existed. They covenanted that as soon as those attributes of an organized State existed, they would be respected and meanwhile they would refrain from placing obstacles in the way of China's attainment of integrity.' But has Japan refrained from placing obstacles in the way of China's attainment of integrity? China makes many complaints against Japan on this score: (*a*) High Japanese officers have continually tried to prevent the unifying of the authority of Chang Tso-lin and Chang Hsueh-liang in Manchuria with that of the National Government; (*b*) they have extended 'consular police' to many districts in Manchuria without any warrant in treaties or agreements, much to the detriment of Chinese jurisdiction; (*c*) extraterritorial rights intended for small groups of merchants in early days have been stretched by Japan to cover hundreds of thousands of Korean farmers, removing

them from control by Chinese local authorities, and thus multiplying manyfold the difficulties which Japan herself felt when extraterritoriality was maintained in her own country.

China has indeed a strong case against Japan.

iii. *The Japanese Advance in Manchuria.*

During five months I visited more than a score of cities in China, as well as in Japan and Korea. Harbin was the first city visited. When I reached that city, only a week before the capture of Mukden, influential Chinese told me that they heard that Japan was about to seize South Manchuria. The Central Government of China had sent a memorandum to Washington and London stating their fears of this. The officials of a certain organization who came to the Orient by way of Moscow were asked in that city when they expected to reach Mukden. They replied that they hoped to arrive about 20 September and were told that when they reached Mukden they would find it in the hands of the Japanese.

I was in Mukden on the night of its capture on 18 September. At about 10.30 there was a slight explosion, followed by the firing of cannon, machine-guns, and rifles. This lasted all night. When I went out in the morning the dead were lying about in the streets. Every preparation had been made by Japan. Telegraph poles were cut and tarred ready for use. The Japanese army was in a more advanced state of preparation for its great advance than had been the British and Allied armies at the beginning of the World War. I interviewed Americans, British, and members of other nationalities in Manchuria, but I found no one in all Manchuria except the Japanese themselves who believed

that any attack had been made by the Chinese on the railroad. There was, however, much evidence to show that the Japanese move was a long-premeditated plan of the Japanese general staff. For weeks the Japanese people had been prepared for military action in Manchuria. Pamphlets printed in red, black, and white had been dropped over Japan by military aeroplanes, showing a claw-like hand symbolizing China, clutching at the Japanese flag on which were printed the thirteen Japanese claims in Manchuria. Above the flag was the slogan, 'Fellow Countrymen, Awaken for the National Defence'. Beneath, over an outline map of Manchuria, were three lines reading: 'The cost of the Russo-Japanese War was 2,000,000,000 yen. Japanese investments in Manchuria total 1,700,000,000 yen. Our countrymen who died numbered 200,000.'

All colleges in Manchuria were closed after the attack had begun, and were forbidden to reopen with their own textbooks as in Korea. The Japanese took possession of post-offices, opening the mail of private Chinese citizens, withholding mail or newspapers coming from China. There were few atrocities such as those which characterized the fighting in the battle of Shanghai, but an American friend in charge of a truck factory told how, when a hundred workers were asleep on the floor at night, the Japanese soldiers rushed in and threw bombs among the sleepers, killing some thirty of them. They stripped the remainder of any superfluous clothing, took every cent of their money, and turned them out in the cold with more than 40,000 others thrown out of work by the Japanese, and left without any means of support. These, with thousands of soldiers deprived of their pay, and scattered through the country, banded themselves together to fight for the defence of Man-

churia against Japan. Of course these men are called 'bandits'. But what is a bandit? George Washington would have been called a rebel or bandit. Sandino is a 'bandit' when he resists the Americans.

iv. *The Manchurian 'Independence' Movement.*

Since all meetings were forbidden, with shooting on the streets every night, I took an aeroplane and flew to Korea. The Koreans told me that the position of their own country might furnish an example or model for Japanese action in Manchuria. 'You remember', they said, 'the three stages by which Japan took possession of Korea. First they declared its independence of China, then they announced its need of a protector and their intention of filling that rôle, and lastly, twenty years ago, came the complete annexation and absorption of Korea.' Shortly after this conversation I read in the papers that parts of Manchuria had declared their independence and were setting up independent Governments. I decided to return to Manchuria and investigate this 'independence' movement. The previous week there had been no more movement for independence in Manchuria than there is in the State of New York or Massachusetts. I returned to Mukden and interviewed several of the Chinese leaders, who stated that they had been approached repeatedly and persistently by the Japanese and urged for many days to set up 'independence' Governments in Manchuria, but that they had steadily refused to do so.

Since I could not with safety send any cables from Manchuria I went south to Tientsin, and on 12 October sent the following cable to Alfred Sze, Chinese Representative

at Geneva, to Ramsay MacDonald, Secretary Stimson, and Senator Borah:

'I was present at the capture of Mukden. Evidence of many witnesses interviewed at the time and on the spot points to a premeditated, carefully prepared offensive plan of the Japanese army, without the provocation of any Chinese attack, producing bitter resentment when China is suffering flood disaster and the world is preoccupied. Japanese troops have not been withdrawn, but all strategic points in South Manchuria still held by Japanese, and Chinchow also has been bombed.

'I testify to evidence of efforts to establish puppet "independence" Governments in Manchuria under Japanese military control. I have forwarded sworn statement of interviews with Chinese leaders in Manchuria who testify to repeated pressure of the Japanese to induce them to head "independence" Governments. Universal indignation in China is taking the form of an economic boycott which the Government cannot control. Situation critical, grave developments imminent. All the Orient is looking to the League of Nations and Kellogg Pact signatories for action. Asia believes that League and Pact are on trial as well as Japan and China.

'A notable turning towards Soviet Russia as an ally and Communism is developing, pointing toward the fall of the Nanking Government and widespread Communist anarchy, if the League and Pact fail in this supreme crisis and menace of war.'

v. *'Chaos' in China.*

In China, I found a very serious condition of affairs, far worse than I had expected. The present 'chaos' in China must be viewed in the perspective of China's long past. We must not lose sight of that quality of survival and renewal which seems to be an indestructible element in China's civilization. The Chinese people were clad in silks when

our ancestors were roaming about in skins. By A.D. 105 China had invented and was using paper of high grade. This discovery was brought to Europe finally by the Arabs, nearly a thousand years after its invention in China. China discovered the art of printing and the use of movable type several centuries before Gutenberg. In the thirteenth century Marco Polo could count Chinese civilization in advance of that which he knew in Europe. But this petrified, rock-like civilization of 'changeless' China is disintegrating to-day into what Dr. Sun Yat-sen called 'a sheet of sand', and her old social institutions are crumbling into helpless individualism. The advanced of nations of the West industrialized nearly two centuries before China, and Japan two generations before her vast, amorphous, helpless neighbour. China with its 400 million people could not quickly pass from the old order to the new as did her small, compact, well-disciplined neighbour Japan.

The West passed through five great revolutions in four or five centuries—the Renascence, the Reformation, the Industrial, Political, and Social Revolutions. But China has to go through these ordeals all at once, like a patient attacked by five major diseases at the same time. This process of disintegration and reintegration needs a very long period. China needs centuries to put her house in order unaided. But she cannot wait, threatened by united militarist Japan on the one hand, and internal Communism and the vast Union of Soviet Republics on the other.

vi. *Communism in China.*

My work carried me into the Communist areas of China, in Kiangsi and Hupeh. Communism, as I have said, takes entirely different forms in China from what it has taken in

Russia. Sun Yat-sen, the George Washington of China, when he was struggling to found the Republic, turned in his hour of need to America, just as Washington turned to France. But the United States put its money 'on the wrong horse', and with Great Britain took the side of Yuan Shih-kai, who was trying to make himself Emperor. In 1923 Sun Yat-sen demanded part of the Customs Revenue at Canton to support his Government. British, French, and Italian gunboats appeared on the scene as a threat, with a still larger fleet from the United States. He was ready to turn in despair to any nation that would give him aid, and Russia gave him almost anything he asked in the way of money, munitions, thirty military instructors, and sent him three of her ablest men, Joffe, Karakhan, and notably Michael Borodin, as advisers and representatives. Borodin with extraordinary sagacity declared that China was not yet ready for Communism, but he organized the Kuomintang or Nationalist Party modelled on the Russian Communist organization. He organized students, proletarian labourers and peasants, and the provinces which he organized then are the Communist provinces to-day. To-day, however, there are few if any Russian organizers; China does not need them now, she has produced her own.

What is happening in these provinces to-day? When Chiang Kai-shek marches into Kiangsi with 250,000 of his best troops, with machine-guns and aeroplanes, he finds nothing but peasants working in the fields. When he is lured into the hilly regions and deploys his men the Communist forces fall upon his scattered troops. Every time he leaves the province he leaves behind him thousands of rifles, some captured but more purchased from his mercenary troops. I found in one province three able Communist

generals with a motley following of Communists, peasants, and armed bandits. Their procedure is somewhat as follows: They capture a city with a population, say, of 100,000 people. They have carefully prepared a list of the city's men of property, and they allocate to each a sum which he must pay within twenty-four hours, according to his reputed wealth. One man will be asked to produce 25,000 dollars, the next 20,000, the next 15,000, and so on. But the first sums are sometimes intentionally fixed higher than the man can possibly pay. There is no possible escape. When he comes to them on the following day he may report: 'I have part of the sum here, I cannot raise the rest in so short a period, will you give me three days more?' 'Cut off his head,' says the Communist general, and the man's head rolls in the dust. After a few are beheaded they are given one day more to find the money. They accept no excuses, no alibis, no further delays. Men beg or borrow the money if they can get it, often bankrupting themselves for a lifetime. Those who have not enough are tortured until they reveal their little hidden treasure. Every silver or copper coin, the very jewels from the ears of the women, are seized. Tracts of landed property are confiscated and redistributed to the landless peasants, who have now a stake in the new Government and will be willing to fight for it. The next step in the process is the creation of a strong local Soviet of ruthless young Communists in whom authority is vested—and the armies move on to the capture of another city. The Central Government, almost bankrupt as it is after Japan's action and unable to pay its troops, loses them to the Communist forces, who pay them double and pay in cash from their captured loot.

An attempt will probably be made to form a Communist

Republic of the five central provinces with their population of a hundred million people. If this is once achieved it will be easy to take one province as a corridor leading to Outer Mongolia and to Russia. Then a solid Communist U.S.S.R. will stretch from Siberia right across the heart of China almost to Nanking and Shanghai on the east and to the province of Canton in the south, leaving on the north and west semi-feudal areas which will be forced to come to terms with Japan on the one side and the Communists on the other. But the human suffering and loss of life which would accompany such a change is terrible to think of. Some 10 million persons perished in the Russian revolution, civil war, famine, and pestilence that followed. But a far greater number is doomed if China turns Communist. The Chinese, when they are at peace, are the most gentle, generous, home-loving people in the world. Once aroused they are capable of incredible cruelty, and when the Communists get a free hand in China they commit horrors such as even Russia never knew. I regard the situation in China to-day as very, very ominous. It is largely Japan's ruthless action that has made it so.

What are we to do about it? In the first place we must not blame the League too readily. A chain is no stronger than its weakest links, and there are many woefully weak links in the world's chain of nations which compose the League. If the League should fail its failure will be the fault of the member nations which fail to use its ample provisions for peace, and of the nations which refuse to join it.

vii. *Possible Courses of Action.*

In my view there are three possible stages or courses of action which might be used in the present situation: (1) the

mobilizing of public opinion and moral suasion; (2) diplomatic pressure; (3) the use of economic sanctions.

Moral suasion, expressed if possible in legal form, provides an effective instrument. If a nation has broken three solemn treaties or covenants, that is a grave matter, but if the League has not the moral courage to say that these obligations have been broken, it is another and, I might almost say, an even more culpable matter.

Diplomatic pressure has already been used—the pressure exerted by the League of Nations and Secretary Stimson's firm notes are illustrations of such diplomatic action. But they have proved quite inadequate.

For myself, I would favour the use of economic sanctions as a last resort. If the United States, Great Britain, and the nation members of the League Council could have said to China and Japan that any nation which breaks the Covenant, the Nine-Power Treaty, and the Pact of Paris, which refuses to abide by the decisions of the League, and, in defiance of its pledges, insists upon war as the method of settling disputes, must accept the consequences of such action; if they could have said: 'We regret that we shall not be able to advance loans to you, or to sell you munitions, or to continue trading with you for the duration of the conflict', it would probably have put a speedy end to the matter. But that opportunity was lost.

We were all heart-sick in China. We asked, 'What is this Commission that comes out five months too late?' The battle of Shanghai might have been prevented by the early arrival of the Commission or by decisive action in Paris or Geneva. We must ask Washington to-day why they blocked the sending of the Commission for months until it was too late? We must ask why the United States were

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represented—or misrepresented—at Paris by a delegate who refused to come into any direct contact with the Council and who was not a help but a positive hindrance to its work? We should have to ask many more embarrassing questions regarding the policy and representatives of Great Britain, of France, of the 'Great Powers' who so lost the respect of the whole world by their hesitation, vacillation, weakness, and sheer moral cowardice. The first courageous notes of Secretary Stimson cheered us, but they came months late. We were heart-sick that the League was discredited throughout the whole of Asia.

I may be quite wrong, but in my view if the United States, Great Britain, France, and the stronger nations of the League had shown one quarter of the courage and consistency that Japan showed we should not have been in the pitiful confusion in which we find ourselves to-day. I have far more respect for the Japanese, following the imperialist traditions established by Great Britain, the United States, France, and the other so-called Great Powers, than I have for those very Powers who have betrayed the cause of peace during the last terrible months in China and in the Disarmament Conference, and have almost destroyed faith in the League in Asia, and to some extent in America and Europe. I have heard even Conservative leaders in China say, 'Since we have nothing to hope for from the League or the Great Powers, there is nothing left for us but to turn to Soviet Russia and Communism.'

A gleam of hope appeared for China when Secretary Stimson stated that his Government 'formally notified Japan and China that it would not recognize any situation, treaty, or agreement entered into by those Governments in violation of the covenants of these treaties which affected the rights

of our Government or its citizens in China', and further, that 'if a similar decision should be reached and a similar position taken by other Governments of the world, a caveat will be placed upon such action which, we believe, will effectively bar the legality hereafter of any title or right sought to be obtained by pressure or treaty, and eventually lead to the restoration to China of rights and titles of which she may have been deprived'. This principle was reaffirmed by the Assembly of the League on 11 March. On 8 August, Secretary Stimson affirmed the principle that 'the Pact of Paris necessarily carries with it the implication of consultation'.

Perhaps it is not yet too late. I have no fear of the effectiveness of the Lytton Commission; I know its personnel, Lord Lytton himself, and other members. But my question is this: Will the Great Powers, will America, will Great Britain, will France, will the members of the Council and Assembly of the League have the courage of their convictions when the time comes to act? If they do, I believe that the situation can still be saved. If the League fails again it will merit contempt and meet with the moral indignation of the world.

CHAPTER XII

SOME CONSEQUENCES OF THE SINO-JAPANESE DISPUTE

by

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WHEN a large stone is hurled into a pond the whole surface of the waters is ruffled. The seizure of Mukden in September, 1931, has already produced reactions and reverberations all over the world, and its long-range consequences are at present impossible to foresee. That it is an event of outstanding importance is universally recognized, and at the end of the first year of the crisis we can register the chief initial results.

i. *The Effect upon Japan's Friends.*

The first and most obvious consequence of the recent activities of Japan is the chilling of sympathies throughout the world. For a generation the most virile of the Yellow races has astonished mankind by its energy, its efficiency, and its success. It seemed as if the Hermit Empire had learned in half a century the arts and crafts of the West, and the defeat of Russia at the opening of the twentieth century raised it to an unquestioned equality of status with the Great Powers of both hemispheres. Nowhere was its prowess and its patriotism more heartily admired than in Great Britain, who was the first of the Powers to surrender ex-territorial rights, who had declined to join the Franco-

German-Russian combination which had deprived her of the fruits of her victory over China, and who had entered into an alliance with her in 1902. We had fought on the same side in the World War, and though the treaty had not been renewed in 1921, we had been co-signatories of the Nine-Power Pact concluded at Washington in 1922. If, then, we disapproved of her action in 1931, it was in no sense the outcome either of race prejudice or political hostility. British public opinion would have been equally incensed had any other Power in similar manner failed to play the game. The three States whose good will is of cardinal importance to Japan are China, the United States, and Great Britain; and in all three her stock for the time being has fallen far and fast. Though the organization of the world is still in its infancy, no country can with impunity alienate the good opinion of its fellows. Japan could indeed point to plenty of evil precedents in the record of her critics; but there was no precedent for infringing simultaneously the Covenant, the Nine-Power Pact, and the Kellogg Pact.

ii. *Sympathy for China.*

The second consequence that strikes the observer is that in large measure Japan's loss is China's gain. Threatening no one with aggressive aims, China has enjoyed the sympathy of the civilized world in her struggle to reform, to modernize, and to educate herself. 'The unchanging East' is a poet's phrase, not a transcript of reality, for Asia is awake and astir. Nowhere has the transformation proceeded at a more rapid pace than in China since the fall of the Manchu Empire cleared the way for experiments in self-government, and the apostolate of the Chinese Mazzini,

Sun Yat-sen, lit the flame of a dynamic nationalism. There is something infinitely pathetic in the spectacle of the most populous country in the world, so vast and yet so weak, so industrious and yet so poor, battling against Communism and corruption, famine and flood, invasion and civil war. While Japan enjoyed a special degree of popularity in Great Britain, China found the liveliest sympathy in the United States, where thousands of her citizens begin their intellectual life. Her recent trials in Manchuria and Shanghai have intensified the regard of Americans and aroused a new interest among the peoples of the British Empire. The era of exploitation and partitions, in which we took our share, ended with the Boxer revolt. Indeed it seems already so far away that we now understand how disastrous it was to all parties concerned, and in the light of our new-found wisdom we commiserate with the victim of an outworn Imperialism.

iii. *The Effect on the League.*

A third unmistakable consequence of the crisis has been to damage the prestige and diminish the self-confidence of the League more gravely than any event in the twelve years of its life. Its inability to deal with an attack by one member of the Council on another, an attack launched when the twelfth Assembly was in session, seemed for a moment to justify the cynicisms and criticisms of its open foes and its fair-weather friends. The causes of the conflict were manifold and in some cases of ancient date; but in its broader aspects the case was clear enough. China from the first submitted her cause to the League, while Japan virtually repudiated its authority. No one expected decisive action, for the League cannot hurl the thunderbolts of Jove.

But when weeks of fumbling hesitancy passed by, when the mountains laboured at Geneva and Paris and scarcely a mouse was brought forth, its impotence to hold back a powerful law-breaker was revealed to the world. Its authority, which had on occasion sufficed to avert or arrest hostilities between little nations, was openly flouted by the dominant Power in the Far East. Never since its inception has it had such a bad Press as during the autumn of 1931, and never were its reputation and self-assurance at a lower ebb.

For the League to pronounce judgement straight off on a complex of issues would have been to exceed its functions and its rights. But have not its faithful and patient supporters a right to complain of delay in despatching a mission of enquiry and refusing to acknowledge changes effected in defiance of treaty obligations? The Lytton Commission started in January, 1932, and the Assembly's Resolution of non-recognition was passed in March. Had these two related steps been take at the outset of the dispute, the carnage at Shanghai might never have occurred. For the paralysis of the League during the opening months of the conflict must have seemed to confirm the calculation of the Japanese Government that it had chosen wisely the time to strike.

iv. *The Effect on the Disarmament Conference.*

A fourth result was to render the difficult task of the Disarmament Conference still more onerous. When the representatives of over sixty States met at Geneva on February 2, 1932, they were confronted with the spectacle of apparently successful aggression in the Far East. Diplomacy without armaments, declared Frederick the Great in

a memorable aphorism, was like music without instruments; and it seemed as if the old cynic might be right after all. Here, it was argued, was the demonstration of the French thesis that sanctions were required if the Covenant was to work, and that in the absence of sanctions pacts and treaties were little more than scraps of paper. The only chance of a successful Conference lay in the growth of a belief that war as an instrument of policy would be abandoned, and that if it were to be used for the old purposes it would prove a boomerang in the hands of its employers. This faith, which had not yet had time to crystallize into a conviction, received a staggering blow when Japanese troops occupied Manchuria despite the protests and frowns of the world. It is hardly fanciful to suggest that the drama in the Far East played a prominent part in the mental processes of the statesmen who gathered at Geneva. For the time the self-styled realists had the ball at their feet. The contention that Japan was not at war, that she was merely repelling attacks on her property and her nationals, and that she had broken none of her treaty obligations, made no converts. Armaments, it was concluded, might still be useful and might create a *fait accompli* which could not easily be reversed.

v. *United States Co-operation with the League.*

A fifth result of infinite significance is that the United States has co-operated with the League in a first-class political issue, and in the process has drawn closer to it than ever before. Indeed she has not merely co-operated but has set the pace and called the tune. For next to the Monroe Doctrine there is no maxim of foreign policy dearer to the American heart than John Hay's principle of the Open Door in China. Moreover, commercial interests are

reinforced by a long-standing suspicion of Japan and an equally pronounced sympathy with China. No wiser step has been taken by American statesmen than when they decided to allot their share of the Boxer Indemnity to the higher education of the people by whom it was paid. A problem has at length been posed in which they are as glad of the co-operation of the League as is the League of the help of the strongest Power in the world. That President Hoover has personal knowledge of China is a fortunate coincidence, and in Mr. Stimson he possesses a colleague who shares his eager concern. Together they have made history in the first six months of 1932 by successive pronouncements which will take their place among the most memorable definitions of American policy.

The first was contained in identical notes dated 7 January, 1932, to China and Japan. The authority of the Chinese Government, it began, having now been destroyed, the American Government 'does not intend to recognize any treaty or agreement which may impair the treaty rights of the United States or its citizens in China, including those which relate to the sovereignty, independence, or territorial and administrative integrity of the Republic of China or to the international policy relative to China commonly known as the open-door policy, and it does not intend to recognize any situation, treaty, or agreement which may be brought about by means contrary to the covenants and obligations of the Pact of Paris, to which treaty both China and Japan as well as the United States are parties'. Here was the doctrine of non-recognition stated with a forceful clarity that left nothing to be desired.

The second declaration was contained in Mr. Stimson's memorable letter of 24 February to Senator Borah, Chair-

man of the Foreign Affairs Committee of the Senate. The recent extension of hostilities to Shanghai, observed the Secretary of State, emphasized the importance of the faithful observance of Covenants to all nations interested in the Far East. By the Nine-Power Treaty of 1922 the signatories agreed:

> '1. To respect the sovereignty, the independence, and the territorial and administrative integrity of China.
>
> '2. To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable Government.
>
> '3. To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China.
>
> '4. To refrain from taking advantage of conditions in China in order to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly States.'

This treaty, added Mr. Stimson, was one of several interrelated and interdependent agreements entered into at the Washington Conference, and none of them could be disregarded without jeopardizing the rest and disturbing the equilibrium at which they aimed. The renunciation of aggression by a stronger against a weaker Power had been reinforced by the Pact of Paris. 'These two treaties represent independent but harmonious steps taken for the purpose of aligning the conscience and public opinion of the world in favour of a system of orderly development by the law of nations, including the settlement of all controversies by methods of justice and peace instead of by arbitrary force. . . . It is clear beyond peradventure that a situation has developed which cannot, under any circumstances, be recon-

ciled with the obligations of the covenants of these two treaties.' If the other Governments were to adopt the principle of non-recognition announced in the note of 7 January, 'a caveat will be placed upon such action which, we believe, will effectively bar the legality hereafter of any title or right sought to be obtained by pressure or treaty, and eventually lead to the restoration to China of rights and titles of which she may have been deprived. In the past our Government, as one of the leading Powers in the Pacific Ocean, has rested its policy upon an abiding faith in the future of the people of China and upon the ultimate success in dealing with them of the principles of fair play, patience, and mutual good will. We appreciate the immensity of the task which lies before her statesmen in the development of her country and its government. The delays in her progress, the instability of her attempts to secure a responsible government, were foreseen by Messrs. Hay and Hughes and their contemporaries, and were the very obstacles which the policy of the Open Door was designed to meet.' In this lengthy and closely argued declaration there was no suggestion of sanctions; but Japan was unambiguously warned that her breach of treaty obligations might lead to consequences which would not be at all to her taste.

Nearly six months later, at the beginning of August, when the fighting at Shanghai was over, when Manchuria was in the effective occupation of Japan, when the recognition of its puppet Government was expected, and when the publication of the Lytton Report was within sight, Mr. Stimson addressed the Foreign Policy Association at Washington. Since the signing of the Pact of Paris, he declared, war had become an illegal thing. 'Hereafter when two nations engage in armed conflict, either one or both of them

must be wrong-doers—violators of this general treaty law. We no longer draw a circle about them and treat them with the punctiliousness of the duellists' code. Instead we denounce them as law-breakers.' After thus declaring that neutrality was a thing of the past, he defined the implications of the Pact of Paris. 'Some of its critics have asserted that the pact was really not a treaty at all; that it was not intended to confer rights and liabilities; that it was a mere group of unilateral statements made by the signatories, declaring a pious purpose on the part of each, of which purpose the signatory was to be the sole judge and executor, and for a violation of which the other signatory could not call him to account. If such an interpretation were correct, it would reduce a pact to a mere gesture. If its promises conferred no rights as between the members of the communities of signatories, it would be a sham. It would be worse than a nullity, for its failure would carry down the faith of the world in other efforts for peace.' The pact, he concluded, 'necessarily carries with it the implication of consultation', and the principle of consultation had been endorsed by the Conventions of the two great parties at Chicago. It was a momentous declaration of which we may expect in due time to gather the fruits.

vi. *The Problem of Sanctions.*

A sixth result of the Sino-Japanese conflict has been to bring the problem of sanctions once again into the foreground of the stage. Since military action has no supporters, and a League army is not in sight, the discussion has turned on the efficacy and the dangers of economic pressure. A boycott of goods from Japan by her three chief customers, it was argued in some quarters, would quickly bring her to

her knees. Such an official embargo, replied others, would be almost equivalent to war, and might provoke not surrender but a lightning attack on the Philippines or Hong-Kong. Neither side could speak with confidence, for there is no precedent for an official boycott of the exports of a Great Power. A general refusal of loans would be a more innocuous but also a far less effective step.

vii. *The Problem of Private Arms Manufacture.*

A seventh result of the action of Japan has been to intensify disapproval of the private manufacture of armaments. So long as private firms exist they must seek for orders. Moreover, a licence for export is a mere formality, since the maintenance of the plant and the staff of such factories is assumed to be in the interest of their respective Governments, which will urgently need their aid in the event of war. If, however, as Mr. Stimson reminds us, signatories of the Pact of Paris who go to war are—in a legal no less than a moral sense—wrong-doers, can armament firms be permitted to supply them with the means to commence or prolong their wrong-doing?

viii. *The Welfare of China.*

A final consequence of the crisis at which we may glance is the recognition that the internal condition of China is a problem affecting the peace of the world and that sympathy is not enough. In his striking book *The Capital Question of China*, Mr. Lionel Curtis urges the transfer of the diplomatic corps from Pekin, now as provincial as Petrograd, to Nanking, the new capital in the busy south. He also recommends the despatch of statesmen of the first rank to report on the condition and needs of the Republic as a

preliminary to practical aid, instancing the success of Mr. Dwight Morrow as an adviser in Mexico a few years ago. The disinterestedness of the United States is taken for granted by the Chinese, and any fear of concession hunting or domination on the part of other Powers would be avoided by the provision of help through the agency of the League. Internal order can only be restored when the Government has funds at its disposal, and only by the development of the country with the help of foreign capital can its purse be filled. Seen in broad perspective the interest of China is identical with the interest of the world at large and of Japan herself. The latter is not so strong as she looks, for her finances are weak; and no Power would reap such a bountiful harvest from the renewal of friendly relations with China and the increase of her purchasing power. The resources of the vast Republic have scarcely been tapped. The land cries out for roads and railways, embankments and agricultural implements, research stations and schools which would yield a rich harvest in revenue, order, and contentment. Since China seems unable to save herself by her own efforts, it is the duty and the privilege of the Powers to co-operate with her and with each other in one of the greatest and most urgent tasks that confront mankind. We are at last waking up to the fact that her fortunes are the concern of us all.

ix. *The Only Policy.*

With the publication of the Lytton Report a new chapter will open, and it is idle to speculate on its contents or on the decisions to which it will lead. But we can already discern the outlines of a solution. Japan's case is that China cannot keep order in her own territories, and is therefore

in a different category from other States. China's case is that she needs time and help to struggle to her feet. It will be the task of the League, in friendly partnership with the United States, to work out a synthesis that does justice to the rival arguments. The Manchurian question is insoluble apart from the problem of China as a whole. We must work neither for the one country nor the other but for the common interest of both. Manchuria must be saved for China, but with better guarantees of order than a Japanese army can secure in a vast and hostile land. The rule of law is needed as much in the Far East as in every other part of the globe; and there is still time for the League to justify the faith of its makers and to turn its weakness into strength.

CHAPTER XIII

THE NEED FOR NATIONAL AND INTERNATIONAL ECONOMIC PLANNING

by

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i. *No Lack of Plans.*

THE word 'plan' has already become as sacred as the word 'rationalization' was some years ago. It appears to have inserted itself into most languages. The idea of a 'plan' seems to be in the air; and there have been already many plans on paper. But so far nothing on an adequate scale has been done outside Russia. There indeed a large-scale plan is said to be in operation: but, as I shall argue later, that is because the plan adopted by the Soviet Government is an old plan which fits a non-industrial country in the first stages of industrialization; and, in any case, it is not the sort of plan that we need in Western Civilization. In the world already industrialized plans have been left on paper or in the air.

Plans of all sorts have been proposed—Government plans in the recommendations of official Committees, as in Great Britain for the Cotton Trade or the Coal Trade; journalists' plans; and plans of private groups such as that of the Liberal *Yellow Book* of 1928. A comprehensive review of a discussion on international planning has been published by the International Industrial Relations Institute at The Hague, which held a Conference on the subject in August, 1931.

Also the League has been the source of some partial plans—for example, the excellent plan for reducing tariffs and controlling cartels, which resulted from the Economic Conference of 1927. With all these plans available, it is hardly necessary now to add another. We may assume that the need for economic planning—partial or comprehensive—is recognized very widely.

ii. *Some Causes of Inaction.*

The important fact for us to recognize now is that *nothing effectual has been done.* It may be well, therefore, to examine the reasons for inaction—on the assumption that plans are not intended to remain on paper! Clearly some people find satisfaction in thinking out a plan, even though they leave it in the air. It gives them the sort of satisfaction that is found in passing Resolutions. But remember that, in planning, the great examplar is the White Knight in *Alice.* His song about 'the aged, aged man, a-sitting on a gate' is a very good indication of what economists do when they put questions to the manual workers. The White Knight asked the aged man how he got his bread; but he did not hear the answer—the economists never do—

> 'For I was thinking of a plan
> To dye one's whiskers green;
> And then to use so large a fan
> That they could not be seen.'

Perhaps it would be as well to re-read that song before attempting to make any plan. But I do not propose to try my hand at a plan. My problem is—the White Knight. Why are the economic and political Powers of the world so remarkably like the White Knight?

What is it that prevents public action being taken to deal comprehensively with a ridiculous economic situation? Above all, what prevents international action? It certainly is not any lack of knowledge about the facts. I am myself rather bored, and I think you too must be bored, by the repetition of the reasons why a plan is necessary. Everyone has heard of the waste of Brazilian coffee—some burnt and some thrown into the sea, because the price was low, while millions of people would have been glad to have a little coffee. Everyone has heard of the waste and the storing of wheat in America while Chinese are starving: and now we hear of the cultivation of pests for the destruction of rubber-bearing plants! Everyone knows that there are more than fifty million competent men and women at present unemployed in the world at large—nearly three millions in Great Britain, over five millions in Germany, and about twelve millions in the United States; and this, while these same people lack food and clothing which their own labour could supply if they could use surplus material. One may go even farther in describing absurdity. There are now available power supplies and plant much more than enough to increase everyone's food, clothing, house-room, amenities, and leisure; and farther still—there is knowledge and skill so far unused which could increase even the existing productive power fantastically. And in this world, human and natural resources lie unused while millions of children and men and women lack the bare necessities of civilized life. Economic depression is sometimes described in terms of diminished profits or in terms of unused plant: but the more fundamental terms for the description of the present economic situation would indicate mainly the needs of millions who starve in the midst of plenty. They cannot

get at the goods they need; and no labour that they offer as payment for such goods is regarded as worth having by those who have power to organize such labour as is required. I do not believe that inaction in such a situation is due to a wicked band of bloodsucking 'capitalists', who care nothing for those in need of food. I do not quite believe that inaction is due to the fact that those who have power are not in need and that those in need have no power. It is worth noting in any case that, in spite of unemployment, the majority of manual workers still have regular work. Even among the insured workers in Great Britain, who are not *all* the workers, there are more than nine millions at work while two and a half millions are unemployed. Also, in spite of want in many circles, supplies of goods and services are still available for the majority. That is no excuse for delay in improving supplies or supplying the want that exists. But if there is any question of a plan to deal radically with the economic system, it should not be based only upon the impression of evils within the system. We have also some experience of good in the system to go upon. Delay in reforming its evils is probably due less to the gain which a certain few derive from it than to the vague feeling that we should 'stick to the devil we know', lest worse befall us. Those who earn little in wages can easily be terrified by the danger that their little will become less if any risk is taken. That feeling would explain hesitation. It is not, however, quite enough to explain the extreme inertia of those in control of production, finance, and commerce, and of those in control of government. These have Conferences, national and international, and behave like the White Knight.

In the case of the economic problems of the world to-day the situation is like that with regard to disarmament. It is

generally recognized that some drastic reduction of armaments would be good; but nothing has been done in the recent Disarmament Conference. No doubt, the representatives of Governments really wanted to reduce armaments. What prevented them—apart from the action of sinister forces—was the underlying assumption in their minds—an assumption hardly conscious and very seldom apparent in public speeches. As we all know—'a man convinced against his will, is of the same opinion still' because the assumptions underlying the argument which has convinced him have never been touched. In the case of armaments, it is assumed that 'foreigners are untrustworthy'; it is assumed that one's own armaments are only for 'defence'. And even behind such assumptions lie atavistic habits of thought from which old gentlemen generally suffer. Disarmament does not occur, in spite of all arguments in its favour, because of these underlying semiconscious assumptions in men's minds.

The difficulty of putting an economic plan into operation is similar. The reasons for 'doing something' may be very clear; and yet assumptions and inherited attitudes of mind may prevent action. These assumptions and attitudes, and not reasoning, really govern the action of the business men and the politicians who at present control the organization of economic life. It is possible, with our modern knowledge of psychology, to examine more closely such business men and politicians. They are of a certain age, generally over sixty. Their mental and physical structure was fixed about thirty years ago, before the great economic and cultural changes took place, which are most significant in estimating the character of the present situation. Trade union leaders as well as bank-directors belong to a particular generation; and their resemblance is more important for our present

purpose than their differences. The 'names' which have influence in politics also belong to the world before the war. I am not complaining. Nor do I propose any form of euthanasia. Nor do I think that the proportion of fools among the youthful is any smaller than that among the aged. I am making psychological observations about the forces which delay action when the reasons for it are obvious. But I shall not pursue farther the attempt to dissect leading personalities, for the larger influences operate within the minds of nearly all men to-day. The assumptions which prevent action are widespread.

iii. *Prejudice Against 'Government Interference'.*

The first assumption which acts as an inhibition to prevent any plan being put into operation is a certain prejudice about 'Government', enshrined in the ancient phrase 'Government interference'. The same prejudice is to be found in the phrases, used most commonly in America but to be found also in France, about 'politics' being irrelevant or objectionable when one is talking about Trade. There is a very general feeling that 'government' implies ignorance and incompetence with regard to economic issues. This feeling or assumption or attitude of mind is inherited from the days of Adam Smith. That 'second Adam' was indeed a Smith and not a gardener; and in any case his observations were not made in Paradise. He saw the difficulties at the beginning of the Industrial Revolution in Glasgow, when the making of things by machinery and the use of power supply instead of human and animal muscle, as a motive force, were new and strange. He saw that government, which in those days meant control by a small gang of landowners, was an obstacle to industrial development. These

landowners 'interfered', not because of their wickedness but because of the generally accepted belief in the divine right of landowners, for the good of the nation: but their methods of interference were due to ignorance and incompetence with respect to the new methods. Government interference came to be assumed to be objectionable; and even when Factory Acts came in, it was thought necessary to make elaborate excuses for such 'interference'. But government itself has changed. It is no longer the control of a small gang of landowners. In some countries even women have political power; and manual workers in all countries vote for representatives in National Assemblies. I shall not assume or imply that government is, therefore, better than it was: my point is only that it is not what it was in the days of Adam Smith. But the language and the prejudices of the majority remain those of their great-grandfathers. It is not implied that politicians and business men and journalists have ever read Adam Smith. He comes to them diluted in leading articles and in the current *clichés* of platform oratory. But Adam Smith mixed with gas is worse than Adam neat.

iv. *The Fetish of Production.*

A second inhibiting prejudice is that, in economic issues, *production* is the most important problem. This prejudice goes back to Assyria and Egypt. Clearly in all human history up to now production has been an urgent necessity. Famine was always round the corner. A harvest might fail; and therefore 'saving' was essential. The power-supply of slaves or serfs or even of free men working as hard as they could, might not be sufficient to feed a growing population, especially with a high birth-rate and early death

for the majority of those capable of working. When non-muscular power-supply was first available, a century ago, what was most startling was the increase of the security for the future: but even then, population continued to increase so fast that it gave Malthus a nightmare. Even poor Keats saw 'hungry generations' treading down the race of men. The business men and the bankers, like Ricardo, however, 'felt fine'. They were sure that it would all come right in the end, if we saved *for future production.* Output became the god of industrialism; and you will remember how the gospel of that god was preached with fervour at the end of the Great War. Not only in practice but also in theory 'production' dominated men's minds. The division of labour, the rate of interest on invested capital, the costs of production—these were the subjects on which economists concentrated their attention. It was assumed that you could not have too much production; and some economists gallantly continue to show why, in theory, you cannot. In theory there is not too much Brazilian coffee: in practice the owners of the coffee remain ignorant of the theory. But I shall not argue against the theory. All I want to show is that the early industrialism reinforced instead of correcting the old prejudice in the neglect of 'consumption', that is of the ways in which men use economic services, of the tastes and customs of different groups. And business men seriously assume that the only way to increase the markets is to cut the cost of production. They are, indeed, producers and nobody thinks clearly about consumers: those who use goods remain a vague 'demand' which is supposed to survive, whatever happens.

v. *The 'Treasury Mind'.*

One further prejudice acts *indirectly* upon those in power, because it is a prejudice affecting directly only students of economics. It is to be found also among some civil servants who have read economic textbooks. It is implied in what is called in England the 'Treasury mind'—the mind which implies that 'nothing can be done', *the mind of the external observer.* The mind of the external observer is very dangerous, when it has influence in practice, as the mind of the scientific expert is dangerous. Experts tend to know so much that they can always see the dangers of doing anything at all. If you took the advice of all the experts on food, you would die of starvation. The only hope is to listen to one expert only or to none! But that is not an argument against experts. It is only an argument against allowing them to decide what action should be taken or whether any action should be taken: and we have had recent experience of that in the Disarmament Conference! The study of economic science began during the years when the study of the physical sciences made its most striking advances; and economic science ever since has been under the domination of the logic and the methods of the physical sciences. In some ways this was good; but for my present purpose the evil effects of the association are worth noting. An observer of water or other 'material' objects can remain entirely outside his subject-matter: and the subject-matter is entirely unaffected by what the scientist says about it. That is not so in the social sciences, for their subject-matter is man: and in them a man is studying man. The only 'pure' economic science that is possible would be a study of man by a horse or an ass; and indeed we have had examples of

that. When the scientist calls water bad names, such as H_2O, the water is unmoved: but when the economist calls Bill Jones 'Labour', Bill Jones is changed *from within.* Bill Jones becomes different from what he was because of what is said about him. But students of economics still continue to think of their subject-matter as 'facts', like physical facts: and this attitude induces a prejudice that the main forces in economic life are not matter for action but only for observation and record. Research into the most barren abstractions has become an idol. We are told that we must not act until more statistics are collected: and miserable students are set to collect figures out of other people's collection of figures, in the hope that they will learn 'scientific accuracy'. If one star crashes into another there is nothing to be done about it but to put the fact down in a textbook; but if ten thousand people are starving to death, inaction cannot be excused on the ground that economics is a science. I do not say that anyone actually uses such an excuse: but it acts as an inhibition in the unconscious tendency of students of economics; and it affects indirectly the business men, who worship what they call 'the law of supply and demand', and the politician who has picked up phrases about the trade 'cycle'. The most ridiculous nonsense is written about not disobeying 'the law of supply and demand'. You should not go upstairs, in case that may be disobeying 'the law of gravitation'.

vi. *The New Problem: 'Consumption'.*

Prejudices and assumptions are objectionable only when they are out of date and tend to obstruct action in a new situation. The ideas to which I have referred were fairly good in 1830, when Karl Marx was infected. He too was

obsessed with 'production'. He was perhaps as great a man as Adam Smith, but he too, like Queen Anne, is dead: and the situation in which he made his observations no longer exists. The present structure of social life is different not only in politics and economic activities but also in 'culture'. A century ago, for example, it was not possible to have an audience in a discussion of public affairs in which there was a considerable number of women competent to understand what was said. In the 1830's women were admitted, as an extreme concession to modernity, to lectures on scientific subjects: but in certain London institutions, according to the regulations, they had to come in 'by the back door'. But the situation is different now. Education, of a sort, is now widespread. Great numbers can read the betting news; and the 'ancient aristocracy' is copying the cinema stars—with great advantage to themselves. Manual workers do not now go about in rags. Everyone moves more freely among strangers. In a thousand such ways the 'culture' of to-day is not that of 1832.

In 1932, in the economic aspects of life—with which we are chiefly concerned here—a revolution is to be noted. Production has changed—as I think—in kind and not merely in amount. The internal-combustion engine, oil and electricity, are only further forces of the same kind as steam—to displace muscle. But they are not at the *end* of a process: they are at the beginning. We now know enough to expect the use of many more such forces; and that implies a revolution. The 'quantum theory' is known to you, at least by name. It implies that the addition of a new fact may, at any moment, cause more than a larger sum of facts: it may result in the emergence of a new *kind* of fact. A new 'order' may be initiated by what seems at first sight to be

merely the addition of one more step to an old order. The economic situation is changed in that way. Progress is not, as the nineteenth century supposed, made by slow accretions but by sudden mutations. And one such mutation is to be seen in the changed character of production.

Production has changed in kind and not only in amount; because now for the first time it is possible to displace *all* use of muscular animal force as a motive power. All societies hitherto have been 'slave' societies; because some persons had to be used a 'labour force' and their services could be reckoned, as 'horse power' is reckoned, mainly as costs of production. When early steam-engines came in they supplemented muscular force in part and in part displaced it. But 'heavy' manual labour still remained essential at the base, so to say, of the structure of civilization. Now man becomes not a supplier of muscular force but a machine-minder or a machine-tender; and we begin to see the possibility of an abolition of all 'work by hand' that is not also essentially 'work by brain'. The mere force of a man becomes as useless as the force of a horse. Clearly the worker uses muscle in driving a motor or in switching on a current; but so does the surgeon performing an operation, and we do not deny that the surgeon is a 'worker by brain'. The new situation is not yet grasped. There are 'slaves' still, as we can see on the roads round any great city: but in modern production they are as obsolete as the horse-carriage for travelling. Labour in modern production is not an impersonal force, directed from outside, as electricity or steam may be. I am not discussing now the way in which men *ought* to be treated but only the actual facts. The mere facts of the situation are completely different from what they were a century ago.

Again, we have so great an accession of productive power and of knowledge which could increase such power still more, that the world could be rich in goods and services and leisure—so rich that even the nineteenth century could be made to seem more like the Middle Ages than like our own times. There is *no* problem of production. Malthus is out of date. We can have as much as we want, if we act in such a way as to use our powers. The problem of to-day is not production but *consumption*; not how to get power but how to use it—not who is to make goods but who is to use them. Wages and salaries are not important now as costs of production but as purchasing-power.

vii. *Changing Populations.*

Secondly, in those countries where the new productive power is most readily available, a fundamental change has occurred in the character of the population. In North-Western Europe and in North America and in the British Dominions—in the 'modern world' in fact—the birth-rate has fallen from about 30 per thousand living in the 1870's to about 19 per thousand. That implies a diminution in the *number* of people living at any one time; and clearly if your power to supply goods and services increases, while the number of people you have to supply decreases, every-one could be very much richer—granted some policy of distribution—some 'plan' to take the place of traditional habits. The alternative is that, in a general scramble, the rich will become richer and the poor poorer.

The most interesting aspect of the new situation, however, is the change in the *character* of the population. While the birth-rate has fallen, the average length of life has been increased by sanitation, education, preventive medicine, and

more civilized personal habits. There is a qualitative change in the population of the modern world as compared with 1832. Not only are men and women living longer but they are also healthier and more lively than they used to be in their later years. The proportion of youth to age is smaller; but the mental characteristics of old age are postponed as compared with the situation a century ago. The proportion of the youthful varies in different countries.[1] In France, for example, the proportion of the youthful to the aged is much smaller than in the United States. This may be due largely to infantile mortality and lack of public services in France. But it undoubtedly colours the whole French outlook and has an effect upon what the French call 'security'. Old people do not take risks. Conservatism or Radicalism may be due to the predominant 'weight' in a population of age or youth.

But for our purpose here the economic situation is affected chiefly in the character of *consumption*. If there are fewer children under fourteen in any population, there are fewer dependants upon each family income. If there is more family income in any group, there is more to be spent upon luxuries or amenities. Fewer children use less agricultural products—food and clothing; and more adults use more manufactured articles—gramophones and cinemas. Also, as Mr. Filene has shown in his new book *Successful Living in this Machine Age*, mass production means production '*for* masses'. Consumption to-day is the use of standardized articles by millions of people, not the use of rare luxuries by a few. Again, consumption of standardized articles has begun in all countries, even in China, India, and Africa. In the nineteenth century Europe exported to these parts

[1] See rough figures in the *Annuaire générale*.

of the world cotton goods which were imitations of the traditional costumes of their peoples. Now Europe exports bicycles and gramophones even to primitive peoples in Africa: and the Africans are also eating canned fruit from California. But in that transformation of consumption the whole process has been stopped by the failure of the means of payment among those who need goods.

viii. *Competition for Markets.*

Obviously in a world with abundant powers of production and shrinking consumption what is needed is some plan for increasing consumption. The market is the problem; and not, as in the nineteenth century, the *finding* of markets but the *making* of markets. In the good old days of Free Trade the manufacturer in Great Britain undercut the local hand-workers of Africa and India and China by selling cheap goods, whose cheapness depended upon the industrial system. He 'found' the other man's market; and we have not so far reckoned the cost of Free Trade to the hand-workers in subject or backward races who were driven into unemployment by 'dumping'. Indeed, we do not call it 'dumping' unless someone else does it. But now the market does not remain stable, if we 'cut our costs' in Europe and America: for they cut their costs too in China and India—and Japan! It is necessary, therefore, to *make* a market.

You could do so by contriving to sell another hat to the person who already had three: but more of a market could be made by contriving to sell one hat to each of those who have none. You could sell more cotton goods if a few fashionable ladies in England and America had seven cotton dresses instead of six. But you would sell still more if millions

of Indians and Chinese could buy. The problem of the market is the problem of consumer's credit—the power to pay of those who need goods: and only the most trivial efforts have so far been made in that direction. Instalment purchase is not the only possible system of consumer's credit: and besides, the most needy consumers of the modern world are in Asia and Africa.

But as soon as one attempts to speak in terms of credit the old ghosts rise. Inflation is advocated by men of influence in the City of London: they propose by inflation to extend purchasing-power. But what they mean by inflation seems to be merely a cheap rate for loan-capital. They think all the time in terms of the producer. Or again, the manufacturer agrees that we should extend the markets. He then proceeds to do so by reducing prices; and in order to do so he cuts wages and salaries, because he thinks of them as 'costs of production'. To him, indeed, within his own business, they are 'costs'. But observe what happens. The boot-manufacturer cuts costs by reducing wages in his factory: and he hopes to sell more boots, on the assumption that purchasing power *outside* remains the same. That purchasing-power, however, is the wages of coal-miners and postmen; and as soon as the boot-manufacturer reduces the wages he pays, the wages of coal-miners and postmen are also reduced for 'economy'. What one man or one nation can do, with advantage to himself or itself, cannot be done by everyone or by all nations to the general advantage. So also with tariffs. You can 'buy British' with advantage to the British if all the other people who hitherto bought British do not at once cease to 'buy British' and now 'buy Swedish' or 'buy French'. The whole system of thought —the habit of mind of generations—will have to disappear

before we can have an economic policy, national or international, that is suitable for the modern world. Our 'practical' men still assume that they can do something of advantage to their own trade or their own nation while everyone else leaves the situation as it was. Clearly you can win at a game of chess if you have all the moves; but even chess is beyond our practical men. They can only play 'Snap'.

ix. *A Plan to Meet the Common Needs of Ordinary Men.*

It may be concluded then that no plan, national or international, will ever come into operation until, in the first place, the atavisms of contemporary economic thought are cured, and until, in the second place, those in 'key positions' in business and public affairs think in terms of consumption —of 'need' and 'taste' and 'standard of living'—instead of terms of production and costs. In plain terms, no plan will operate until those in control understand the actual situation and cease to mumble their grandmother's wisdom. Need is quite obvious: but it is not regarded as of fundamental importance by those in control. What they say is of fundamental importance is 'confidence'—by which they mean the sort of stuff the City Editors of great newspapers deal in. Confidence is a psychological term applied to the attitude of capital-owners, or owners of what used to be called 'securities'—until they proved to be insecure: and it is true that 'confidence' is necessary. The fundamental fact, however, remains the fact that, although you and I are not in want of food, clothing, or shelter—millions of others *are* in want. Dockers and textile workers and their children lack bare necessities in a world in which there is an unused excess of productive power.

Those who make plans and those who discuss plans at

International Economic Conferences are aware of the needs of millions of their fellow-men. Those in power are probably willing to do something to help the sufferers. But as soon as they begin to discuss ways and means they are involved in problems of the gold supply or the costs of production or the rate of interest or the rates of exchange of currencies. All these are important and would, in any case, have to be dealt with. But they are secondary in importance; and discussion of them obscures the fundamental realities of the situation—the condition of actual men, women, and children. And so 'solutions' are offered by way of 'economy'—which means paying the wage-earners less or 'saving' on education and public health or reducing the taxation of profits or restricting foreign investment. It is argued, if the conditions of those already in need are referred to—that they will derive benefit *in the end* from all these old tricks. But no plan which does not give them the benefit *in the beginning* is likely to have enough passion in it to make it operative. So far at least men have not been so foolish as to die for the rate of exchange. No plan has passion in it which is not conceived in terms of the needs of actual men, women, and children.

This, and not the use of tractors, is the lesson to be learnt from Russia. The end, and not the means, is what divides those in control there from those outside. The situation in Russia is indeed simple as compared with ours. They are now where we were in 1760, at the beginning of modern industry in an agricultural, traditional society. And if the Five Year Plan succeeds, Russia will be in 1933 where we were in 1833. They are still at the stage where *production* and its methods are the main problem. They are using *our* means and methods. They are accumulating 'capital

resources', exactly as Western Europe did in the 1830's, and at the same cost to the manual workers in severe conditions of food, clothing, and amenities. But that may be a good thing! In any case, we have an entirely different problem—the organization of *consumption*. We have more than enough tractors and steel plant. What we need is organization for their use by those who most require their services—namely, those with low incomes.

Needs, however, must be thought of exactly. They are not all personal. We, as well as dockers and textile workers, need roads and drains, and perhaps even noble buildings and music—if the economists will permit me to refer to the needs of civilized life as well as those of bare life. The goods and services planned to be used, therefore, should be both personal and common. But the conception of common goods is still undeveloped. There is still an ancient superstition that public education and public health organization are forms of charity to the poor. They are, in fact, common goods of a community; and all members of a community share in them directly or indirectly. But the chief issue is to keep the plan on the basis of consumption or need of some kind. That is to say, we must think *not* 'We have so many shipyards in Glasgow—how can we get them to work again?' but 'We have 200,000 persons in Glasgow who are underfed. How are they to be fed?' If the plan is based upon consumption and not production, it may be found that some machinery is out of date or useless and some that does not yet exist is needed. Even if in abstract theory overproduction or underconsumption *in general* is impossible, nobody denies that there may be overproduction of some final consumption goods or some capital goods. The basis of our plan, therefore, should be not merely the lack of a

market at any given moment, but *the standard of living* in any community which is the assumed or implied purpose of the whole system of goods and services designed to be produced.

From that point of view not merely the need of the underfed but the whole level of contemporary civilization must be the ground for action. The whole of what we call civilization is at a low level, in view of possibilities which can now be realized. Not only India and China but France and England and America 'need' a civilization more excellent than at present exists. Thus the basis of a plan would be some exact conception of an attainable situation *for all of us*, which is considerably better than the present. It is not good enough to aim at 'Recovery', as Sir Arthur Salter calls it in his book. To recover our position of ten or twenty or thirty years ago would leave us in danger of the very collapse from which we are now suffering—which collapse is not an accident but is the inevitable consequence of the economic and political system which some wish to re-establish. No: the basis of a plan cannot be found in any situation which has existed in the past. The possibilities to-day should give us a new conception of our needs. The same kind of principle should dominate policy in international issues. It is obvious that there are people in the world whose need is extreme. The whole of India and China and parts of Africa are living 'below par', not merely because of deficient food-supply but also because of disease due to ignorance. Knowledge exists in the world which could eliminate such disease: but we do not, in international affairs, usually think in terms of men and women. We do not think of the hook-worm or the plague or the tumours and the malaria which are in men and women. And the health services of the League are still treated as a sort of Cinderella of politics

at the great ball—the *danse macabre* which is held when Foreign Ministers come to Geneva. What diplomatist would condescend to discuss hook-worm? It is not a subject for the drawing-room. But diplomatists have learnt during the past century to think of foreign investment. Large amounts of capital have been invested by the citizens of highly industrialized countries in other countries. Also these other countries have been regarded as sources of income for manufacturers in industrial countries who exported goods. In both cases the nations which called themselves 'advanced' made money out of the others. Some benefits were granted or were taken by those others. Indians and Chinese and Africans did derive *some* gain from the activities of European peoples: but these activities were intended by the Europeans to benefit themselves mainly. The need of the non-industrialized peoples was never a major consideration in policy. I am now arguing that it should be. In international policy the purpose should be the supply of the most urgent needs; and these are not, at present, European or American. Credit for the undeveloped areas of the world should be used not chiefly for the benefit of the creditors. But even within the class of European peoples the urgency of need is different in different countries. Here too the plan, if it is to operate in modern conditions, must be based upon the most urgent need, not upon the chance of higher returns on invested capital.

Here, however, we meet one of the greatest obstacles to international justice—the mythology of nations as separate personalities. We speak of France and Germany and Japan and Great Britain; and we prevent ourselves, by that mythology, from thinking in terms of men and women. The League of Nations has hardly improved matters in this

respect; for many of its most fervent supporters seem to live upon mythology. The League becomes a sort of Olympus of Gods—France, Germany, and the rest: and ordinary folk, who may be starving to death in Germany or Japan, are forgotten.

As an example, consider the terms in which the Manchurian situation is discussed. In 1929 there was an 'open' winter in Europe and the lack of snow made it possible for the cattle to be kept out to grass later than usual. Usually these cattle depend in the winter on soya bean cake: but owing to the mild winter the market for soya-beans was depressed. Coming on top of a collapse of all agricultural prices, this caused starvation among poor peasants in Manchuria and lack of money to pay the soldiery there. Some peasants and soldiers therefore took what they could lay hold of, in order to get food. Meantime in Japan the peasantry were suffering from the same economic collapse of agricultural prices: and labourers who could not get food began to be restless. It was useful in such a situation to create a diversion—such a diversion as is the traditional plan for distracting common folk from distress at home. The episodes in the Japanese adventure in Manchuria and Shanghai had other causes as well: but behind all the diplomatic game lay the bitter need of poor men in Japan and Manchuria. And who has discussed the fate of these men? Those who know the texts of treaties probably have no interest in peasants. What we hear about are mythological entities—Japan and China and an Olympus of mythology, the League.

It is not denied that a mythology may have an exact meaning. There is such a thing as a relation between men which can be called China or Japan; but it is a relation

between men, nothing else. Men related to one another in a certain way can be called France; and other men differently related may be called Germany. But the needs of the world are the needs of common men who eat and breathe and, after a few years, die. This is no discovery: it is quite well known. But in the discussion of public policy, national and international, it is not taken as the fundamental fact; and so long as it is obscured by an unexamined mythology and an abstract economic science, nothing effectual will be done. Until men see men not in the flesh only but in the things they use, in the floors, in the walls, in the food, in the clothes which are the conditions of civilized life—until then, to make another plan is merely waste of time.

In the mythology of international and national policies we have two convenient excuses for allowing common folk to continue in need, in spite of existing productive power. One is the international excuse. Each Government can argue, with some show of reason, that the crisis is world-wide—that it is guiltless because 'foreigners' are the trouble! Or, better still, it can be argued that each must wait until the others act—as in the usual excuse for not reducing armaments. Thus an International Economic Conference is a useful example to the people of each country that its own Government cannot persuade other Governments to be sensible. In some ways the existence of the League has prevented progress by small groups of nations because each waits for all. The second kind of excuse for inaction, however, is much more popular. Each nation is told that those of its common folk who are in need must suffer for the sake of the whole nation. Why these particular people should suffer and not others is not explained. But it is

all for the Nation! It is even argued that those who have little should have less for the good of the Nation: and the trouble is that those who have little themselves believe in the current mythology.

The need for a plan of action in economic life is obvious. That need is beginning to be felt even by those who do not lack food and clothing. But what is to break the bonds of tradition? The forces which operate in public affairs are obscure: they lie generally in the subconscious parts of men's lives. Almost unconsciously, however, we are all passing into a new form of social life. Our habits of mind are changing: our customs are being transformed by the unintended effects of recent inventions. Perhaps therefore a new intelligence will come out of the new habits; and a sufficient number will be able to see the new situation clearly enough to bring into operation a plan of action.

APPENDIX

CONFERENCE FOR THE REDUCTION AND LIMITATION OF ARMAMENTS

Resolution Adopted by the General Commission on 22 July, 1932

I

THE Conference for the Reduction and Limitation of Armaments,

Profoundly convinced that the time has come when all nations of the world must adopt substantial and comprehensive measures of disarmament in order to consolidate the peace of the world, to hasten the resumption of economic activity, and to lighten the financial burdens which now weigh upon the peoples of the world;

Desirous of avoiding a competition in the power of armaments which would be both ruinous to the peoples and threatening to their national defence;

Recalling its resolutions of April 19th, 20th, and 22nd, 1932:

Firmly determined to achieve a first decisive step involving a substantial reduction of armaments, on the basis of Article 8 of the Covenant of the League of Nations, and as a natural consequence of the obligations resulting from the Briand–Kellogg Pact;

Welcoming heartily the initiative taken by the President of the United States of America in formulating concrete proposals for a substantial reduction of armaments by the prohibition of certain methods of warfare, by the abolition of certain material, and by reductions varying in magnitude and amounting for certain armaments to the proportion of one-third;

Bearing in mind also the draft Convention of the Preparatory Commission, the statements and proposals made to the Conference by a number of delegations, and the reports and resolutions of the various Commissions of the Conference:

Decides forthwith and unanimously, guided by the general principles underlying President Hoover's declaration:

1. That a substantial reduction of world armaments shall be effected to be applied by a general Convention alike to land, naval, and air armaments;

2. That a primary objective shall be to reduce the means of attack.

II. CONCLUSIONS OF THE FIRST PHASE OF THE CONFERENCE

The Conference, noting that agreement has now been reached on a certain number of important points, decides, without prejudice to more far-reaching agreements hereafter, to record forthwith the following concrete measures of disarmament, which should form part of the general Convention to be concluded. The Conference also decides to establish certain principles as the basis for further reductions of armaments, and to determine the procedure necessary for the active prosecution of its work.

1. AIR FORCES.

The Conference, deeply impressed with the danger overhanging civilization from bombardment from the air in the event of future conflict, and determined to take all practicable measures to provide against this danger, records at this stage of its work the following conclusions:

1. Air attack against the civilian population shall be absolutely prohibited;

2. The High Contracting Parties shall agree as between themselves that all bombardment from the air shall be abolished, subject to agreement with regard to measures to be adopted for the purpose of rendering effective the observance of this rule.

These measures should include the following:

(*a*) There shall be effected a limitation by number and a restriction by characteristics of military aircraft;

(*b*) Civil aircraft shall be submitted to regulation and full publicity. Further, civil aircraft not conforming to the specified limitations shall be subjected to an international régime (except for certain regions where such a régime is not suitable) such as to prevent effectively the misuse of such civil aircraft.

2. LAND ARMAMENTS.

(*a*) *Land Artillery.*

1. All heavy land artillery of calibres between any maximum limit as determined in the succeeding paragraph and a lower limit to be defined shall be limited in number.

2. The limitation of calibre of land artillery shall be fixed by the Convention.

Subject to an effective method being established to prevent the rapid transformation of guns on fixed mountings into mobile guns, different maxima for the calibre of land guns may be fixed as follows:

(*a*) A maximum limit for the calibre of coastal guns, which shall not be less than the maximum calibre of naval guns;

(*b*) A maximum limit for the calibre of guns in permanent frontier or fortress defensive systems;

(*c*) A maximum limit for the calibre of mobile land guns (other than guns employed for coastal defence).

(*b*) *Tanks.*

The maximum unit tonnage of tanks shall be limited.

3. CHEMICAL, BACTERIOLOGICAL, AND INCENDIARY WARFARE.

Chemical, bacteriological, and incendiary warfare shall be prohibited under the conditions unanimously recommended by the Special Committee.

4. SUPERVISION.

There shall be set up a Permanent Disarmament Commission with the constitution, rights, and duties generally as outlined in Part VI of the draft Convention submitted by the Preparatory Commission for the Disarmament Conference, with such extension of its powers as may be deemed by the Conference necessary to enable the Convention to be effectively applied.

III. PREPARATION OF THE SECOND PHASE OF THE CONFERENCE

The Conference requests the Bureau to continue its work during the period of adjournment of the General Commission, with a view to framing, with the collaboration (if necessary) of a Drafting Committee, draft texts concerning the questions on which agreement has already been reached. Such texts will be communicated to all delegations as soon as they are drafted, and will then be submitted to the Commission.

Points which call for detailed examination will be examined by the Bureau or by the appropriate Committees, with the assistance of the Governments concerned, in order that definite conclusions may be reached as soon as the General Commission meets again.

The questions which will form the subject of such examination are the following:

1. EFFECTIVES.

A strict limitation and a real reduction of effectives shall be brought about.

For this purpose, the Conference invites the Bureau to examine, with the collaboration of such delegations as it considers necessary, the proposal of President Hoover relating to effectives. These studies should take into consideration, in the case of each country, the actual conditions of defence and the number and character of its forces.

2. LIMITATION OF NATIONAL DEFENCE EXPENDITURE.

(*a*) The Conference shall decide on the resumption of its labours, taking tinto account the special conditions of each State, what system of limitation and publicity of expenditure on national defence will provide the peoples with the best guarantee of an alleviation of their financial burdens, and will prevent the measures of qualitative and quantitative disarmament to be inserted in the Convention from being neutralized by increases or improvements in authorized armaments.

(*b*) With a view to the decisions to be taken under this head, the Conference requests the Committee on National Defence Expenditure and its technical Committee to continue and complete the work entrusted to its organs and to submit their report as soon as possible. The Conference requests its Bureau to draw up, on the basis of this report, a plan accomplishing the purpose aimed at and taking into consideration the special conditions of the various States.

3. TRADE IN AND MANUFACTURE OF ARMS.

The Bureau will set up a special Committee to submit proposals to the Conference, immediately on the resumption of its work, in regard to the regulations to be applied to the trade in and private and State manufacture of arms and implements of war.

4. NAVAL ARMAMENTS.

As regards the proposals made by President Hoover and other related proposals concerning naval armaments, the Conference invites the Powers parties to the Naval Treaties of Washington and London, which have already produced important results, to confer together and to report to the General Commission, if possible before the resumption of its work, as to the further measures of naval reduction which might be feasible as a part of the general programme of disarmament.

The Conference further invites the naval Powers other than the

Powers parties to the above Treaties to make arrangements for determining the degree of naval limitation they are prepared to accept in view of the Washington and London Treaties and the general programme of disarmament envisaged in the present resolution.

The Bureau will be kept informed of the progress of these negotiations, which it will be its duty to co-ordinate within the framework of the General Convention in preparation for the comprehensive decisions of the General Commission.

5. VIOLATIONS.

Rules of international law shall be formulated in connexion with the provisions relating to the prohibition of the use of chemical, bacteriological, and incendiary weapons and bombing from the air, and shall be supplemented by special measures dealing with infringement of these provisions.

6. FUTURE WORK OF THE CONFERENCE: PROCEDURE.

Pending the resumption of the meetings of the General Commission, the Bureau will keep the delegations informed of the progress of the work.

It will be for the Bureau to fix the date of the next meeting of the General Commission with one month's notice. The meeting of the General Commission shall take place not later than four months after the resumption of the work of the Bureau, which will meet during the week beginning September 19th, 1932.

IV. GENERAL PROVISIONS

The present Resolution in no way prejudges the attitude of the Conference towards any more comprehensive measures of disarmament or towards the political proposals submitted by various delegations.

V. ARMAMENTS TRUCE

In order to ensure that, pending the resumption of the meetings of the General Commission and during the second phase of its work, no steps shall be initiated by any Power which might prejudice the preparation of the General Disarmament Convention, the Conference decides to recommend to the Governments to renew for a period of four months from November 1st, 1932, the truce provided for by the resolution of the Assembly of the League of Nations of September 29th, 1931.

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