CASSANDRA

OR

THE FUTURE OF THE BRITISH EMPIRE

BY

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PREFACE

It is chiefly at two periods of his life that an intelligent man grows a craving to tell the world what he thinks of it. The first comes rather early in life, when he begins to see through the illusions which it is considered socially desirable to engender in the young and to make the chief end of education. The second comes much later in life, when he has tried his hand at remoulding the scheme of things, and done his best and done his work and failed, as intelligence mostly fails, in the unequal struggle with stupidity, and is no longer restrained from telling the truth by the fear of wrecking his career. I may count

it a favour of fortune that I was able to have my first fling in *Riddles of the Sphinx*, and in this little book I am committing the further imprudence of having a second. For I am well aware that most of the ideas here ventilated are very debatable (and I hope, worth debating) and that a prophet of ill must expect to have many stones cast at him. No party will be pleased by all the views this little book expresses, nor will any welcome all its predictions. This, however, will not displease me altogether. For it is hardly possible for a philosopher honestly to be a party man, and an irresponsible philosopher's valedictory, like the curate's egg, can hardly aim higher than at being pronounced 'good in

parts' by all parties, and should be proud if they find in other parts useful ammunition. Nor shall I be disconsolate even if all parties find in my suggestions material for a little mud-flinging at their opponents. If they do, it will do no harm; for to adorn them thus may reveal our politicians in truer colours than to depict them as angels of light and paragons of wisdom.

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I. The Paradox of Prophecy

Apollo can hardly have foreseen all the consequences of endowing Cassandra with prophetic power. He can hardly have foreseen, for example, that the artful hussy would refuse to keep her part of the bargain, and would cheat him of his *quid pro quo*. And he may not have found it quite easy to dismiss from his mind all the unpleasant predictions which, no doubt, she proceeded to make about *him*, such as that he should lose his popularity as a god, fall from his divine estate, and be turned into a butterfly.

But there is no reason to think the condition he added to his gift when he found how he had been tricked, viz., that though all her prophecies should come true no one should believe her, was merely an expression of just indignation or divine spite. It was really a matter of necessity and of course. For it is, after all, a condition to be imposed on *all* prophets of evil, and unless they submit to it, they cannot prophesy truly. Apollo himself was in the same position with regard to his father Zeus. If he had not been merely content to foresee the consequences of the latter's policy, but had rashly pointed them out, *and been believed*, he would have interfered seriously with the course of events. He would have

trenched on Zeus's prerogatives, and would have become the real director of his policy. For in that case, whenever the consequences Apollo foresaw were *bad*, Zeus would have evaded them by altering his plans. And then, of course, the aforesaid consequences would not have come about. Apollo, therefore, though becoming an essential ingredient in Divine Providence, would have been a *false* prophet.

It is clear, therefore, that a prophet who values his reputation has a choice only between two alternatives. He must either be content to foresee and say nothing about it to any one, cultivating his purely theoretic knowledge without a thought of intervening in the course of affairs, or in other words must adopt the ideal of the

pure professor ; or else, if he wishes to speak out and to have the satisfaction of saying 'I told you so!' after the event, he must stipulate that his prophecies of ill shall not be prematurely credited. Thus he must put himself in the position of Cassandra. For should he be believed, his warnings may be acted on, and then will, almost certainly, alter the course of events which they tried to predict ; and thus they will *falsify* themselves.

Such prophecy therefore would seem to involve a very pretty paradox. Prophecies which come true are never credible and quite useless, while prophecies which come false may be worthy of all credence and may prove extremely valuable. This throws a new light on the universal human

practice of stoning true prophets and honouring the false. Cassandra has surely to be numbered among the early martyrs of science!

Nevertheless prophets are not easy to discourage. Their profession is too fascinating, in both its branches. Its major branch, that of prophesying smooth things, is extremely popular and well remunerated, being conducive to influence, power and the highest honours. For the people is ever willing to be deceived, and values 'optimism' as a virtue. But prophecy in a minor key also has abundant attractions. For whereas fortune-telling is still an indictable offence, *mis*fortune-telling is not. So the prophet of ill has been with us from the beginning, and has usually received enough justification from the

course of events to continue his competition with the optimist.

The followers of Cassandra naturally recruit themselves among the aged. These are psychologically prompted to think that 'the country is going to the dogs',[1] because they are losing their grip on its affairs, and look back with regret on the good old times when *they* were young and were having a good time; or, more subtly still, because it pleases them to believe that the world they feel themselves about to quit is destined to destruction, or at least is about to fall upon evil times. There is therefore immense consolation in

[1] I greatly hope that before this series of little books comes to an end, some one will have the courage to write a *Cerberus, or Are we going to the Hellhounds?*

contemplating the clouds on the horizon, and in cherishing forebodings of evils which will not overtake the seer.

But the right way to take these Cassandran prophecies is not to denounce their authors as pessimists and to disbelieve and disregard them, but to take them as salutary warnings, as revealing dangerous possibilities which, with skill and foresight, may be prevented from growing into anything more. Forewarned is, or may be, forearmed: so the right way to refute the prophets of ill is to take their advice!

It is with such an attitude of mind that the prospects of the British Empire are best considered. But before we attempt to forecast the future, it will be well to bestow a glance on the past and the present.

II. The Past

The British Empire owes its rise to greatness primarily to the qualities of its peoples, and after that mainly to the wise limitations its rulers imposed on their ambitions. It is true that for nearly four centuries the various sorts of Frenchmen who ruled England after 1066 tried persistently to make it conquer France for them; but their continual attacks resulted only, as Mr. Bernard Shaw has recently reminded us, in developing the national spirit of the French. France became the first and greatest example of the modern nationalistic State under the constant stimulus of foreign attack and oppression; and militant nationalism has since been manufactured all the world over

according to the same recipe. The Welsh dynasty, however, which succeeded the Plantagenets, adopted the twin principles out of which the British Empire's greatness grew, and on which it still rests, viz., the cultivation of Sea Power, which rendered England unassailable at home, but the implacable enemy of any Power (great [1] or small [2]) which threatened her naval preponderance, and an attitude of aloofness from the squabbles of European Powers, which no longer aimed at continental conquests, but was content with small islands and naval bases, and beyond that intervened only to preserve a balance of power on the European continent and to prevent its unification into a single

[1] E.g., Spain, France, Germany.
[2] E.g., Holland, Denmark.

empire. This salutary policy left the British peoples free to devote their energies to colonization and commercial expansion; and both of these were secured by their sea power, and in turn augmented it. The British Empire grew steadily, and gave no sign of having overgrown its strength.

The originator of this sagacious policy appears to have been Wolsey; but for nearly 400 years British statesmen faithfully followed in his footsteps, except for a brief period when the (Scottish) Stuarts sold themselves to France in order to become autocrats at home. Not that serious mistakes were not made at times: Cromwell, though he established British naval supremacy over the Dutch, erred in continuing to think Spain the enemy and in failing

to perceive the growing power of France. And the colonial policy which led to the breaking away of the United States was of course a big blunder which cost the British Empire dear, and proved all but fatal. Still, in 1914, this great institution was to all appearance sound, greater, richer, more powerful, and more peaceful than ever.

Then came the Great War, and Britain blundered into it as helplessly as every one else. It is possible, but not certain, that a stronger and more skilful diplomacy, more mindful of well-tried traditions, could have averted the catastrophe. But there is little doubt that British state-craft was at fault both in the conduct and in the conclusion of the war. The war was fought to a finish, regardless not

merely of the cost, but also of policy. Complete victory crowned unprecedented efforts.

But has the result been to *strengthen* the British Empire, and to launch it on a new era of peace and prosperity? Surely the host of difficulties which now beset it, sapping its strength and threatening its continuance, shows that there was something unsound about the policy pursued. It may be, indeed, that to some extent these difficulties would have arisen in whatever way the war had been ended: but this only shows that the whole war policy was a mistake. Certainly if the Allies had won the easy and rapid victory which was at first expected, the result would have been a complete disappearance of the balance of power. Russia would

have seized Constantinople and dominated Europe to the Rhine and Asia to the Nile, and turned the Black Sea and the Baltic into 'closed seas'; she could then have proceeded at her leisure to sever the vital links of the British Empire. A complete German victory was rendered impossible by the British Fleet; but if Germany had contrived to escape the destruction which her rulers' insanity so foolishly courted, at any rate the balance of power would have been preserved. She would still have remained confronted by France and Russia and tied to two 'corpses' in Austria and Turkey. She would have had something very like a revolution and a civil war, and in any case would have had no money to indulge in further

fleet-building. And a 'draw' of any sort would have discredited the war-makers everywhere, and would not have generated the exacerbated nationalism which makes it so doubtful whether Europe will ever settle down again.

Whatever may be thought about the war, it will be generally admitted that British statesmanship failed completely in the making of the peace. Not only did it abandon *both* the cardinal principles of British policy, naval supremacy, and the balance of power, but it sacrificed security as well; for it has left the British Empire at the mercy of one foreign power, and its capital at the mercy of another. At present both these powers are friendly, and the sword of Damokles remains

suspended over our heads; but that the British Empire is in a more precarious state than ever it was before the War, will easily appear from a survey of the present posture of affairs.

III. The Present

That the balance of power is gone is manifest. Politically Europe is dominated by France, as it has not been since the acme of Napoleonic power—with the difference that there is now no Russia and no power that could conceivably challenge French hegemony. If M. Poincaré had had the nerve to order his black troops to occupy Berlin in 1923 or to make a *coup d'état* in 1924, no one could have stopped him—least of all ourselves. For

the French air fleet was then ten times as strong as ours, and from Boulogne to London is an easy hour's flight for a bombing aeroplane.

Why the political security a balance of power gives was sacrificed no British politician has yet explained—our politicians, unlike those abroad, have mostly been too prudent to give themselves away by attempting self-exculpation.[1] Yet it seems very obvious that to guard against our present insecurity it was only necessary, either to make France disarm as well as Germany, or to leave Germany strong enough to be a check on France. Intelligent statesmanship at the end of the War would thus have left England the arbiter of Europe.

[1] Except Sir George Buchanan.

FUTURE OF THE EMPIRE

Outside Europe one effect of the War has been enormously to accelerate Asiatic revolt against European domination. The great dependencies, India and Egypt, are growing daily more restive and disloyal, and may easily grow into a source of weakness, not of strength, for the British Empire. The Dominions, though still loyal enough in sentiment, are feeling their growing power, and are growing less and less inclined to take their foreign policy from London.

Naval supremacy was sacrificed as irretrievably as the balance of power, but for far more cogent reasons. Its loss could hardly have been avoided. For in 1916 the United States, enriched by the War and with their militant instincts aroused, seized the oppor-

tunity to begin building a fleet 'to lick creation'. In their war-blindness British statesmen failed to see that the menacing fleet which had challenged British command of the seas, and had disappeared beneath the waves at Scapa Flow, was emerging smiling on the other side of the Atlantic. It has emerged *smiling* so far; and well can America afford to smile. For never again will Britannia rule *all* the waves,[1] and lucky will she be if her fleet can pilot her essential food supplies through the home waters. Thanks to the War, we had not the money to build against America, and probably never shall have. We have had there-

[1] Unless, of course, America should foolishly give us a chance of recovering our position by plunging into the great Pacific War her scaremongers are always conjuring up.

fore to resign ourselves to hold our Empire by the tenure of America's good will. By 1921 it was clear that the utmost to be attained was to get America to desist from building a *superior* fleet, and to content herself with an *equal* one. But an equal fleet is in effect superior. For the American fleet has nothing to protect that is of consequence to America, except the Panama Canal; whereas the British fleet has everything to protect, and is the material bond which holds the Empire together and preserves us from starvation.

From a military point of view our position has deteriorated greatly. Thanks to the aeroplane, Great Britain has ceased to be an island and has lost her immunity from invasion. It is an

ominous geographical fact that she is surrounded on three sides, south, east, and west, by potential bases for air attacks, within easy bombing distance. But for the War this danger might never have arisen, or at least have grown only gradually and slowly.

Industrially the War has done much to aggravate our troubles. Together with the Russian revolution it has very seriously upset our workers, reduced the quantity and the quality of their output, and enormously increased costs of production. It is no wonder that our export trade languishes and that we are growing accustomed to having anything from a million unemployed upwards. For many markets have been lost, some from the impoverishment of former customers, more from

the competition of converted munitions factories, others by our own greed. For during and after the War the British Government controlled British coal and profiteered considerably. Both allies and neutrals found they had to pay through the nose for British coal and were forced in consequence to bethink themselves of ways of doing without it. They began to develop their water-power, and on top of this the Government agreed to let the former get German coal cheap, by way of 'reparations', and so destroyed the export markets of British coal. Fortunately political considerations have so far hindered the deadliest peril to our manufacturing position, the union of French iron with German coal; but our markets are

contracting all the world over. The industrialization of the East, of India, China, and Japan, is proceeding apace, and the Dominions are more determined than ever to manufacture for themselves. Everywhere else nationalistic protectionism is triumphant, and it is no wonder that the belief in free trade is visibly waning in England itself. Protection, however, though it may secure the home market, is no way of capturing a foreign one; and yet, unless we can export, we are over-populated, and must starve. Would not a far-sighted statesman therefore have renounced the war debts, which anyhow are not likely to be paid, in return for commercial treaties which would have opened markets for our export trade?

Financially the supremacy of the London money market has been badly shaken, and appears to be slowly fading away. It is true that by a prodigious effort the gold standard, lost during the war, has been restored and the pound has not gone the way of the mark, the rouble, the lira and the franc; it can once more look the dollar in the face—even though it has still to look up to it from a respectful distance. But the great weight of metal (gold) behind New York is slowly shifting the world's financial centre of gravity across the Atlantic. New York has the initiative, and when it raises its bank rate London has to follow suit. New York is able to offer more money to borrowers than London, and upon better terms. The South American loan market has had

to be conceded to New York, and even British Dominions are being forced to float their loans there. London could not take more than a quarter of the big £20,000,000 loan wanted by Australia recently; and seeing that new countries constantly need capital for their development and that the financial bond has always been one of the strongest forces making for Empire unity, this new orientation is politically ominous.

From whatever angle then it is viewed, the condition of affairs seems thoroughly uncomfortable. The British Empire is at present the most ramshackle empire on earth, *vice* Austria exploded. It challenges all Cassandran instincts to prophesy about its future.

IV. The Future

Three great dangers clearly beset the Future of the British Empire, each of them affecting and aggravating the others. The first is the Labour Problem in Britain, the second is Britain's European entanglement, the third is the permanent strain which this puts upon the cohesion of the parts of the Empire. For (*a*) the Dominions do not (and cannot) feel an equal concern in European affairs, but (*b*) are driven alike by sentiment and interest to approve rather of the American attitude towards Europe, while (*c*) as regards non-European questions also they tend to take the American, and not the British, view. They tend therefore to drift away

from Britain and towards America, with whom (*d*) they cannot afford to quarrel, whereas they could sever their connexion with England to-morrow with complete impunity and without the least loss of security.

V. The Labour Problem

The Labour Problem is the oldest and biggest of our bogies. It has its roots deep down in the widespread and profound ignorance of economics which has rewarded the lamentably successful efforts of professional economists to render their subject more 'scientific', i.e. more technical, and therefore unintelligible to the vulgar. The notion that the productivity of industry determines its remuneration is consequently voted out of date; capital and labour

vie with each other in restricting output and calling canny. The conception of economic law as something inherent in the nature of things has been lost, and been supplanted by a notion that any measure can be converted into economic law if only a parliamentary majority can be induced to enact it. Hence the economic relations of the social order have fallen a prey to politics, and democracy has set itself to make or to improve economic laws. The politically potent portions of the community are making laws in their own interest, and using their political power to procure themselves economic advantages regardless of consequences, and without counting the cost. To all appearance with a great measure of success. Wages are raised and wealth

is levelled. No one seems to realize that economic laws cannot be defied with impunity: such defiances have always in the end to be paid for by the community, and too long and too severe a drain on its resources must end in economic collapse.

The beginnings of this process antedate the War; it may be said to have begun when organized labour was given the power to hold up the community, and when progressive taxation began to be used as a means of redistributing wealth. But the War enormously accelerated the process, and the propaganda intended to keep up the fighting spirit of the workers did everything to encourage the delusion that there was no natural connexion between the productivity and the

wages of labour. For during the War many economically unsound things were done, for which the payment was postponed to a more convenient season. Also so many men were drafted into the army that high wages were paid even for inferior labour, and the prosperity of the workers seemed to be bound up not with the production of wealth, but with its destruction. Thus the soil was prepared for a copious crop of economic illusions.

Politicians of all parties set themselves to raise it. Fears of revolution and of the contagion of Russian Bolshevism led them to yield to the outcry for higher wages and shorter hours without regard to production: they therefore instituted the dole for the unemployed and conceded to the

'sheltered' trades and industries rates of wages which were hardly earned even in the war-time 'boom', and never came down afterwards, when the price level sank and the paper pound was deflated. In so far therefore as the services of the sheltered industries were required by the unsheltered, which produced for export and had to bear the full brunt of foreign competition, the latter found their costs of production permanently increased and their ability to compete diminished. This was one reason why British goods became too dear to be marketable, though no doubt the depreciation of so many currencies and the impoverishment of so many countries were even more potent. But the abject weakness of all politicians in dealing with

'sheltered' labour was most amazingly revealed by the successful refusal of the building trade to permit any of the millions of unemployed to build the thousands of houses which were admittedly an urgent national need. No wonder that more and more industries tried to take shelter, and demanded either protection or subsidies.

But a little reflection might have shown that neither of these devices can meet the needs of a country which makes its living by exporting manufactures. Protection, if it is high enough, may assure the home-market to the protected industries, but it tends to handicap exports, both by removing the stimulus of competition, and if the protection is general, as

it always tends to become, by enhancing the cost of all manufactures. Subsidies have of course to be paid out of the public purse, or, in other words, come out of the tax-payer's pocket. Thus the subsidized industries become parasitic on those which are still paying their way, while the additional taxation imposed on them is a burden on the more prosperous, and increases their costs and their difficulties. Hence the more subsidies are given or extorted the more are needed, and the more nearly industry as a whole approaches economic collapse.

The palmary example up to date of the tricks politics play with economics is exhibited by the coal trade. As coal is normally the most available source of power for industrial purposes in

general, the demand for it naturally rises and falls with industrial activity in general. As moreover it is a product of mining, its price is determined by the cost of extracting it from the *poorest* mines which have to be operated to supply the required amount of coal. This, of course, means that when for any reason the demand for coal increases it becomes profitable to work poorer mines and necessary to employ more miners, while the richer mines make larger profits: conversely, if the demand for coal falls off, prices sink till it becomes impossible to operate the poorer mines, while the richer ones yield smaller profits, and the industry as a whole requires less labour.

Now, during the War, coal was a

vital necessity[1]: the coal-producing countries needed all the coal they could raise, irrespective of the cost of production; as they had mobilized many of their younger and more efficient miners they raised it at a greater cost, which of course was bound to come down again after the

[1] One of the chief causes of the collapse of Russia appears to have been a shortage of coal. Before the War Russia drew 15 per cent. of her coal supplies from the Polish coalfield on the German border, imported another 15 per cent. from England and Germany, and produced only 70 per cent. in the interior, chiefly from the Donetz coalfield. As on the outbreak of war coal imports stopped and the Germans occupied the Polish coalfield, coal shortage began at once. On top of this the Russian government mobilized its coal miners (although it had no arms for them!) with the result that it had not coal enough either to transport its armies or to carry food supplies to Petersburg. Hence starvation and revolution.

War, when the younger men returned to the mines. The countries on the other hand which produced no coal found during the War that they could get next to no coal at all, and had to pay exorbitantly for what little they got. Hence countries like Norway and Switzerland (and subsequently Italy and Austria) were driven to develop their water power as well as their scanty resources in coal. When coal prices fell again (a process which was delayed for a time by the French invasion of the Ruhr), their coal mines mostly ceased to be operated, but their water-power installations, which are not expensive to work once they are set up, have permanently restricted the demand for coal. The same effect was produced by the cessation of the lavish

non-productive demand for coal for the moving of armies and the making of munitions, by the failure of trade and of industrial production (thanks to the economic follies of the Peace Treaties) to recover their pre-war dimensions, and by the growing substitution of oil for coal as a propellant for ships.

Now the normal economic consequence of the diminished demand for coal should have been that the poorer mines should have gone out of operation until an equilibrium between supply and demand was restored, until, that is, the better mines sufficed to supply all the coal that was needed at prices they could afford to sell at and the other industries could afford to pay. But political interference would not

permit of this natural adjustment. It would throw the superfluous miners out of work. They must all continue to be employed at a 'living wage', such as the politicians had promised during the War, and the nation must guarantee this as a minimum. Nor must any extension of their hours of labour, which had been reduced to seven a day when they were in a position to dictate terms, be allowed to lessen the artificially enhanced cost of coal. The miners had too many votes, and their alliance with the railwaymen gave them the power to paralyse the industry and transport of the whole country. So masses of unneeded coal continued to be piled up at the pit-heads, unsaleable because too dear. And as the coal owners

could not operate most of the mines under such conditions, they naturally threatened to close them down altogether.

So the politicians had to intervene once more and to subsidize the whole industry, assuring to the miners their wages and to the owners their profits out of the public purse, until such time as the Government could make up its mind either to allow economic laws to have their natural effects or (as seems far more probable) to take over the mines itself, and to devise some practicable scheme for operating them. But the latter alternative will only make the present crisis chronic, and gives no guarantee whatever that the mines will so be operated as to produce coal at such prices as will nourish

industry at home or find a market abroad. In short, the coal industry, once our main source of economic strength, has now turned vampire and fastened itself on the nation to suck the life-blood of its industry.

At any rate the coal subsidy means that all industry is taxed and handicapped in order that foreigners may be induced to buy our coal more cheaply than it is produced. Coal miners are to continue to get their wages, and coal owners their profits, while, as a nation, we sell our coal at a loss. Yet coal is a most important part of our national capital, and a wasting asset! What can be the end of a people which conducts its economic life upon such principles?

There is always the Dole, perhaps it

will be said. Let us universalize that. We can have doles for the unemployed, the sick, the old, for mothers (without any indiscreet *recherche de la paternité* of their babes), for industry, for trade, for education, for science, nay even for the empire. Indeed we already have a good many of them. So a policy of doles for all would assuredly please all parties and catch many votes. Accordingly the Dole shows every sign of remaining permanent; but none that it will prove the solution of our labour troubles. On the contrary the longer it goes on the more will be demanded, the more it will demoralize, the larger the section of the nation which will receive it, the smaller that which can pay it. In the end it will pauperize us all. And even long before the end

is reached the social policy of which the Dole is a conspicuous part will have produced a growing scarcity of capital, comparable with that by which Bolshevism has paralysed Russia: for the classes for whose benefit this policy is said to be pursued are not themselves in the habit of saving, and hence very unlikely to recognize the need for the process by which capital is created: so the socialistic State will not be able to create or preserve reserves of anything.

Thus the Dole seems quite likely to play in the economy of the British Empire the same fatal part as the Corn Dole played in the history of the Roman Empire; with the difference that it will lead more rapidly to ruin, seeing that the beneficiaries it corrupts will

not be merely the mob of the capital but the workers of the whole country.

Assuming therefore the political methods and wisdom of the day, the Labour Problem must be pronounced entirely insoluble.

VI. The European Entanglement

The so-called Peace Treaties of 1919–23 (from Versailles to Lausanne) in no wise formed a stable settlement of European affairs. They promoted rather a general unsettlement of which the consequences, economic and political, will endure until the next convulsion, which they are admirably calculated to precipitate and aggravate. It is quixotic to expect peace and prosperity to return to the European body politic poisoned by the toxins

of the Peace Treaties. These Treaties settled nothing, not even 'reparations' and war debts, and they unsettled the whole economic order by drawing fantastic frontiers, which broke up trade units and defied all canons of economic rationality.[1] Intentionally or otherwise, they multiplied every sort of political, economic and social sore and created a maximum amount of instability and friction. They are thus well fitted to generate fresh convulsions which will be economic or social, if they cannot be political, and nothing short of a completely new organization can restore prosperity to Europe.

[1] The shape of Czecho-Slovakia is perhaps the funniest thing on the maps, which are usually too small to show the grotesqueness of the partition of Fiume.

The fundamental fact which such a reorganization should bear in mind is that Europe is a relatively small area inhabited by a great mixture of peoples, with different languages, traditions, cultures, and histories, who have to live and trade together, if they are to prosper. The form of political organization, therefore, indicated by these conditions is a (rather loose) federation of States, on the model of Switzerland, divided into a large number of constituent cantons, conceding to each of them extensive self-government, respecting each others' rights and tastes, as the Helvetic Confederation does those of its Germans, Frenchmen and Italians, and establishing complete internal freedom of trade. Instead of which actual

Europe is a tragic object-lesson of the consequences of sacrificing all the goods of life to the ideal of the National State. The National State shuts itself off from human intercourse with all its neighbours by high tariff walls and vexatious passport regulations, and sedulously cultivates international enmities. It is an insuperable obstacle to free trade and prosperity. It has two sacred and indefeasible duties. The first is to include within its borders all its nationals, and to foment 'irredentist' agitations until they are all included: the second is to oppress all those who do not share in the dominant nationality, and to force them to adopt it by every form of pressure.

As a consequence of adopting this ideal of nationality, most of the

European States are in a permanent state of internal strain, more or less severe according to the numbers and character of the alien populations they are trying to assimilate by force, much as a few centuries ago they were distracted by religious differences. The fact that the harmfulness of this strain is not recognized as a source of weakness, and that many of these National States have aspired, and still aspire, to be imperial powers as well and to extend themselves beyond their national borders, without perceiving the contradiction between the imperial and the national ideal, gives the measure of the political wisdom of the rulers of Europe.

In a Europe thus distracted by the irreconcilable ambitions of rival nation-

alities England is entangled more completely than ever before in her history.

As a result of the War and the Peace she has been involved in three distinct sets of complications which tie her hands, strain her resources, and endanger her Empire.

In the first place she has not only undertaken vast, though vague, obligations as a member of the League of Nations, and (even though she has so far rejected the Protocol) this would in practice mean placing her fleet at the disposal of the League and doing most of its dirty work, but she is about to assume additional and very specific commitments in guaranteeing sundry 'Security Pacts' which betoken, not so much a change of heart in European statesmen, as a tardy perception of

the imperative need of having securities which can plausibly appeal to the American investor.[1] Nor will her guarantee be an altogether voluntary or gratuitous undertaking; for it is the only means she has of inducing France to abstain from exercising the right she claims under the Treaty of Versailles of invading Germany at will, and thereby producing an economic chaos in Europe very damaging or destructive to British trade. For the moment this right is in abeyance, while the Dawes Scheme is being tried, to which M. Poincaré had presumably to consent in order to obtain American credits wherewith to arrest the fall of the franc in 1924: but when the Dawes Scheme fails, as for economic reasons it is very

[1] See p. 89.

likely to do, and when the French consent to put their finances in order, as M. Caillaux may persuade them to do, this anarchic claim may be revived any day. Hence a British endorsement of any Security Pact the French may require is an economic necessity.

But in the second place, even apart from such a Pact, England has lost her freedom of action as regards European affairs, and become dependent upon French policy. France fully realizes that some of the arrangements of the Peace Treaties are so difficult to defend that British assistance is highly desirable, and is therefore fully determined to obtain it. Moreover the geographical position of the British Isles and the provisions of the Peace Treaties, render it almost impossible

to resist French pressure. What this means is (amongst other things) that sooner or later England will have to fight to defend the eastern frontiers of Poland against the attack which Russia is bound to make upon them so soon as she recovers from her Bolshevik madness. Thus the upkeep for all time of the Peace Treaties is a millstone round our necks and a heavy liability which, both politically and financially, may overtax our strength.

But our obligations were not all undertaken *pour les beaux yeux de la France*. Our traditional antagonism to Russia seems to have inspired a third set of commitments. A glance at the map shows that one of the great achievements of the Peace Treaties was to cut off Russia from the Baltic,

and to dot its eastern shores with little States that can look for protection against Russia nowhere but to England. The same policy pursued towards Poland has resulted in the creation of the Free State of Danzig. Danzig, Lithuania, Latvia, Esthonia and Finland are all of them British *protégés*, being easy of access from the sea and (like Greece) at the mercy of sea power; but their defence has none the less become a grave British liability. Similarly the Treaty of Lausanne achieved the opening of the Straits to the British fleet, and gave us the power to recommence the Crimean War whenever we were so minded.

The rulers of Russia perfectly understood these threats, and made the best countermoves in their power.

Their first countermove was merely to adopt the first line of Bolshevist defence. It consists in an attempt to sap the internal strength of their enemies by exploiting the social discontent existing in the countries under attack. This method is indeed of universal application; for Bolshevism is the enemy, naturally and on principle, of the social order existing everywhere else. But the Communist plots and agitations which Moscow is able to foster become dangerous only where the social conditions are rotten, and the government attacked is weak and foolish. And, unfortunately for themselves, the Bolsheviks largely destroyed the spell which their policy exercised over the masses abroad by their economic mismanagement of

Russia itself. The great famine of 1921 convinced the more intelligent workers everywhere that Communism was not a short cut to the millennium ; and so made Lenin the saviour of civilization. In England there has not since been any serious danger of a Communist revolution. Bolshevism serves only as an invaluable bugbear, which plays into the hands of the Conservatives and enables them unexpectedly to win elections. This is not to say, of course, that under *no* conditions could England become ripe for social revolution. But it would probably require another decade of bungling and mismanagement before the danger grew imminent, and even then violence would not be necessary, because our political evolution is quite revolutionary enough already. In any case

the Bolshevist appeal failed in England as it failed everywhere else.

Their second move was very clever, and more successful. It consisted in making Russia the champion of Asiatic nationalism against British imperialism. This artful policy has already cost us dear. It has restricted the British sphere of interest in Persia to the indispensable oilfields of the South. It has struck a heavy blow at British trade in China. It has made some mischief in India, and is likely to make more. It may cause trouble among the Arabs any day. In short, unless British administrators recover the art of ruling with a light hand and of using the velvet glove, the Government of the Empire seems likely to be carried on with evergrowing friction and expense.

VII. What about the Dominions?

Such being the present and prospective commitments of England, it is time to inquire what the rest of the Empire thinks about them. It is clear that the European situation must be distasteful to the Dominions. Their geographical position is not that of the British Islands. They have no European attack to fear. They are not directly concerned in European affairs. They are naturally reluctant to guarantee arrangements very remote from their interests, and to support policies which they do not understand, do not initiate and can hardly stop, even when a pretence of consulting them is made. Consequently whenever they are requested to support such

policies and to guarantee them with their blood and treasure, a severe strain is put on their allegiance, and the oftener this is done the more the internal coherence of the British Empire is endangered.

The Dominions have nobly and gallantly come to the aid of the mother country once, and have suffered severely in the process; but it would be unwise to reckon on their repeating such efforts whenever one of the many guarantees England has undertaken involved her in another European war. Even short of a war, the constant preoccupation of the mother country with European affairs is bound to lead to strain and friction, because the Dominions feel that too much attention is given to them to

the neglect of vital colonial interests. As has already been remarked, the natural attitude of the Dominions towards Europe resembles the American. It regards Europe as a small quarter of the globe, which is past its prime, and is inhabited by quarrelsome people who are bent on sacrificing all that makes life worth living to historical *vendettas* about quite trivial issues. For what makes European quarrels so supremely silly is that they are carried on within what is fundamentally the same people: seen in their proper perspective the European peoples are really all one, all mixed and all made up of the same races, inheriting the same traditions, sharing the same history, and divided only by historical accidents and their

foolish obstinacy in keeping up a vastly larger number of dialects than are needed for purposes of human intercourse and literary expression. On the other hand Europe is fortunate in having no race-problems such as trouble the present and cloud the future of other continents, and Europeans do not seem to recognize that these non-European problems are the really important ones, to which they too ought to attend. For example, there is the Pacific Problem. Shall the redundant populations of Asia be allowed to spill themselves over the lands on its shores? The European thinks, why not?; the American and the Canadian and the Australian say, certainly not; the Briton hesitates, because though he would not like

to lose his present holdings in this region, he foresees what gigantic exertions may be needed to retain them, of which the Singapore base[1] is but a foretaste, and doubts whether he can afford to fight so far from home. Clearly such distractions and such strains are very bad for the health of the British Empire!

It is pretty clear therefore that the present informal, fluid and uncertain association of the parts of the Empire cannot endure; it is unstable and

[1] Which it is probably better to interpret as a political move to notify Australia of our willingness to defend her, than as a naval preparation for a fight against any one. Similarly the great parade of the American fleet round the Pacific in 1925 was probably intended to convince the Australians of American ability and readiness to protect them.

transitional. If the British Empire is to survive, it must be better compacted. The relations between the mother country and the Dominions must assume more definite forms, embodying more explicit understandings: otherwise the British Empire will fall to pieces, because its members have gradually drifted apart. The political alternatives seem to be either disruption, or a constitution which provides more definitely for common action, and gives adequate expression to the unity of sentiment which still pervades the whole.

But what form shall this empire constitution take? The answer is extremely difficult. At one time the obvious answer would have been *imperial federation*, and this was once

a possibility and undoubtedly the right solution. It was advocated by the prescience of Adam Smith long ago, before America had broken away.[1] But it has been allowed to become more and more difficult, and is probably impossible by now. The Dominions do not want it, and would not stand it. They would break away too, and we neither could, nor would, coerce them. The truth is that *imperial* federation was killed by the policy of *colonial* federation which has created the Dominions.

If that beautiful dream is abandoned, cannot something *less* be realized, something of the nature of an Imperial Customs Union with an empire tariff? This is an idea which appeals strongly

[1] *Wealth of Nations*, Bk. IV, ch. 7.

to many of our most patriotic imperialists, and at first sight it has much in its favour. For it is a solid economic fact that the home country is a great market for the foodstuffs and raw materials of the colonies, and has hitherto been also the cheapest and most willing market for the loans they need for their development. And it is true also that the colonies have been an excellent market for British manufactures. Hence a still closer economic union might well seem a benefit to both parties. It is no wonder that half-hearted and miserably inadequate attempts have been made on both sides to realize this idea, by granting preferences to British manufactures and to colonial produce.

Unfortunately matters are not likely

to go much further. The idea of a self-sufficing British Empire, contented with its internal trade and internal prosperity, standing aloof from the rest of the world and permitting it to go to the devil in its own way, is open to fatal objection both on political and on economic grounds. Economically it would be altogether too big and powerful a combination for the rest of the world to tolerate, because it would control too many essential commodities, like rubber, wool and jute. It might therefore arouse the rest of the world to form a coalition to break it up. We have already seen how, when in the summer of 1925 rubber consumption overtook production and the American rubber manufacturers were caught short of

their raw material, they promptly endeavoured to put political pressure on the British Government, in order to get the restrictions on the Malay rubber output removed, and how the British Government yielded at once, and brought down the price of rubber.

But there is a more immediately fatal objection to a real empire tariff. It is quite unlikely that the Dominions themselves would consent to it. True, they have granted considerable preferences to British goods, but they take good care not to make them high enough to enable our manufactures to compete with those they are trying to develop and desire to protect. They are all protectionist at heart, and the only considerable part of the Empire which has not built a tariff

wall round itself is India, and that not because it does not desire to do so, but because it has not yet gained the power to do so. In any conflict therefore between imperial patriotism and local interests it is to be feared that the former would go to the wall. Also the Dominions have been accustomed to fiscal autonomy so long that they would very much resent having to give it up, having to open their markets freely to British goods, and having their trades with countries without the empire restricted, all of them natural consequences of an empire tariff. Moreover, to do them justice, their foreign trade is very considerable and not to be lightly sacrificed. That of Canada with the U.S.A., for example, actually exceeds its trade with Great

Britain. In India and South Africa any attempt in the name of empire unity to divert their trade into what they considered less profitable channels would create disloyalty, in Ireland bitter indignation. Finally the only thing to be said of the Conservative Government's last idea of cementing the empire by an Empire Dole, that is by spending something like a million a year in advertising its products and preaching economic patriotism, is that it is a piece either of childishness or of jobbery.

Thus it would appear that the economic method for consolidating the empire by forming it into an economic unity also can hardly succeed. It may have been possible once, and probably was, but what was probably the last

opportunity of realizing it was lost when Joseph Chamberlain's tariff reform agitation took the wrong turn. It seems a great pity that he laid the chief stress on protection, and not on the customs union of the empire For now it seems to be too late Thus, wherever we look and whatever we attempt, the centrifugal economic forces in the empire are gaining, and seem certain to disrupt or dissolve it, even if it escapes political disaster and social revolution.

VIII. The Remedies?

Thus far Cassandra. But inasmuch as fore-warned is fore-armed, it would be craven to despair. Rather should we set to work to grapple with such apprehensions and to falsify such

predictions. This task will not be easy. It may require us to mobilize our whole available political intelligence, to addict ourselves to serious thinking, and to distract the attention of the British public from the sports to which it is devoted and the trifles in which it is really interested. It may be necessary to induce our public press to set itself to instruct and not merely to titillate, and our public men to take the people into their confidence and to tell them the truth, even if it is unpalatable and unpopular, instead of regaling them with eye-wash and propaganda. In short, it may require a general and sustained national effort.

As some slight contribution to such an effort attention may be drawn to

a few general facts about the political situation of the world at present, which may be found relevant to the fortunes of the British Empire.

In the first place, the world, though politically still divided, has for many purposes been unified. It has become a single trade area, and the world-price of the more important staples has become a reality which must be taken into account. It is a corollary from this fact that the problems arising out of the relations of capital and labour can be solved, not by any country single-handed for itself, but, if at all, only by all acting in unison.

Secondly, unitary world-control has become technically possible. With the present rapidity of communications, with telephony, telegraphy (with and

without wires), news, *and orders*, can be transmitted all over the world, with practical instantaneousness. The political corollary from this fact is, of course, that a World-State is now a theoretical possibility, and that its establishment has accordingly become a legitimate ideal.

Thirdly, an inkling of this fact seems to be implied in the formation of the League of Nations. But the infant idea fell among thieves, and was hatched in a Parisian hotbed of cynical intrigue. So the actual League of Nations has a constitution so grotesque, at once so feeble and so rigid, that only the most optimistic of political astrologers would predict either a long life or a beneficent career for President Wilson's changeling. For a time,

perhaps, it will serve to disguise by its chicaneries and make-believes the violence of the strong and the subservience of the weak: but sooner or later the former will find it inconvenient and will strangle it, and the evil odour left by its decay will hinder the revival of a fairer League inaugurated under honester auspices.

But on the whole it is not probable, and perhaps it is not even desirable, that the strong will allow their hands to be tied by any League. The struggle for domination will continue, and the only question will be how that domination will be exercised. For it need not take the bellicose and brutal form it has hitherto assumed; the bonds of empire may be forged of subtler, more flexible and more tenacious stuff.

This possibility is suggested by the method of control which the first power on earth at present is tending to adopt. America is already richer and more powerful than any other State, and it has every prospect of growing further, both in wealth and in power. Unassailable at home, admired rather than feared abroad, it seems destined to exercise an ever-growing influence on the politics of the world. But American power is a product, not of violence and conquest, but, in the main, of industry and peace. And American influence does not control its dependents by force. Panama, Cuba, and Nicaragua are not held down by American garrisons, nor are the people of Porto Rico Americanized by being forbidden to

speak Spanish. American control is exercised by economical and financial means : but it is none the less effective. Already South American generals are taught to tremble at the frowns of Wall Street bankers, and are learning to curb their revolutionary instincts.

In consequence of the War New York has become the world's premier money market, and the needs and debts of Europe have become so great that New York bankers can dictate what terms they will to all its governments. They have not withheld the financial assistance demanded, but, perceiving how politics can ruin finance, have shown determination to impose political conditions. They have thus compelled European politicians to stop fooling, and to conduct affairs in such

wise that peace and industry are once more possible. The adoption of the Dawes Scheme at the dictation of the dollar may be regarded as the first fruits of this policy. The scheme actually adopted will not probably be found capable of literal execution, because the financial good sense in it is still too much adulterated with political nonsense; but it is a foretaste of the coming methods of world control.

Now the idea of exercising political control by financial means may be regarded as America's distinctive contribution to the theory of government. It is the secret of American 'democracy', which is in fact the greatest plutocracy the world has ever seen, most skilfully disguised behind

democratic forms, which give votes to every one but allow him (or her) a choice only between Tweedledum, the nominee of one great party, and Tweedledee, the nominee of the other, while in the nominations of Tweedledum and Tweedledee financial power has the last word.

Naturally this political idea excites the most violent antagonism in many minds. But this hostility is probably mistaken. For, on the whole, the bankers are by far the most sensible persons who have influence on the course of affairs at present. They are much more sensible than the politicians who, as a class, are short-sighted opportunists, tricky, cowardly and corrupt, than the professors who are ideologues and rush into the most

fantastic extremes, than the manufacturers who are chronically antagonistic to their workmen and whose political views are usually dictated by the narrowest self interest, and than the labour leaders whose minds are obsessed by envy and by the ideas of class-interests and class-struggles.

The big international bankers on the other hand are men whose profession requires them to be intelligent, to take broad views, to consider the world as a whole and to recognize the interrelations and interactions of its parts. They are also bound to be circumspect and conservative, while yet cautiously enterprising and never merely obstructive. They are, moreover, accustomed to operate behind the scenes, and to

exercise their influence by private persuasion rather than by overt violence. They are necessarily free from the insane desire to display their antics on the world-stage, which so often possesses potentates and politicians.

It is therefore by the way of financial influence and control that the political unification of the world can be brought about most easily and smoothly, though gradually, with a minimum of disturbance, violence and friction and with a maximum of peace and prosperity.

But what is the bearing of all these considerations on the conduct of the British Empire? Clearly what is indicated is a policy of the closest co-operation with America. Such co-operation should be easy; for the

British business man is by no means unversed in the methods of financial control, and has in fact long been accustomed to co-operate with the American. Also, though financial supremacy be lost to America, British finance would in fact have a very considerable share in world-control—unless the politicians are allowed to consummate our economic ruin.

The opposite policy of antagonizing America, of forcible interference in European affairs, of conquests and imperialism in the rest of the world, would probably be fatal. It would alienate the Dominions, who would secede and put themselves under American protection. It would exhaust our financial resources, and destroy the power which comes from financial

control. And if, at the end of a prodigal and reckless career of political adventure, our politicians contrived to plunge us into another World-War, with U.S.A. on the other side, it might very easily mean a downfall as complete as that of Assyria. Fortunately there is every reason to believe that our rulers have at any rate appreciated the value of American friendship. But we shall earn this friendship best, not by seeking to involve America also in the complications and rancours of Europe, but by imitating, so far as possible, her sagacious attitude of dispassionate detachment.

A NOTE ON LOCARNO

Since pp. 55–6 were written the much-belauded Locarno Pact has been compiled, and its terms fully bear out the remarks of the text. It will doubtless serve its immediate purpose of being a *Securities* Pact, both for Germany and for France. But it has not been noticed—even by the German Nationalists, according to the British Press—that strictly speaking it is nothing but 'eye wash', and that its guarantee of peace is legally illusory. In Article 6 it declares that "the provisions of the present Treaty do not affect the rights and obligations of the High Contracting Powers under

the Treaty of Versailles or under arrangements supplementary thereto, including the agreement signed in London on August 30, 1924".

Now among the 'rights' of France, persistently claimed by the French under the Versailles Treaty, was precisely the right of marching into Germany whenever they chose to consider that Germany had failed, however trivially, in any of her 'obligations', without the consent of their allies, and without thereby being guilty of an act of war.

Needless to say the Germans did not accept this interpretation of the Versailles Treaty. Nor did we. It was just the prospect of getting rid of it that made the Security Pact seem so acceptable in our eyes. But

the Locarno Treaty has *not* got rid of it. For even though this obnoxious 'right' rests merely on a French interpretation, the principle of the sacrosanctity of the Versailles Treaty protects it, even against submission to arbitration. Thus the Locarno Pact only contains an ambiguous and disputed formula on this most vital issue, which will be interpreted differently by the different parties to it!

Practically, no doubt, the consequences will not be so serious, and the Pact (if it is ratified) will conduce to the pacification of Europe. But only because it suits all parties (for the moment) to pretend that it does. This, too, is presumably the real reason why the German Nationalists,

though bound to make a show of opposition, have not descanted on the dangers lurking in Article 6. They, too, feel the need of American loans, and are not irreconcilably opposed to a Pact.