northern parliament was duly elected, and opened by the King in state on May 22, 1921. The southern Irish would have nothing to do with the southern parliament, and it never assembled. Instead there met in Dublin a self-constituted body, the Dail Eireann, professing to be the parliament of independent Ireland, and electing as its president a Mr. De Valera, who had been its chief creator.

The King, in opening the northern parliament, had made an extremely conciliatory speech. Mr. Lloyd George, the British Prime Minister, seizing upon this, invited Mr. De Valera and Sir James Craig to a conference upon Irish affairs in London, a truce to violence was called, a truce that was kept as well as the already disorganized state of the country permitted, and on October 11th, 1921, a conference opened in London in which Mr. De Valera and his chosen colleagues from the Dail Eireann, practically in the character of men who have conducted an armed insurrection to a successful issue, treated with the representatives of the British Government upon the future status of Ireland.

This was a thing almost as agreeable to thoughtful Englishmen as it would have been to an American in 1863 to have seen Jefferson Davis treating with Abraham Lincoln in Washington upon the future status of the cotton states. For the complete separation of Ireland from Britain promised to be not a merely inconvenient thing, but a very dangerous and, it may be, a disastrous thing, for both countries. But this practical admission of defeat was a pill which the Englishman had allowed his chosen friends the Carsonites to make up for him, and he had to swallow it with as good a grace as possible. The spectacle in Whitehall in October, 1921, during the Downing Street conference was a very curious one. There was a great and defiant display of Irish flags and Irish national symbols, and the behaviour of the London crowd was not simply tolerant but friendly and sympathetic.

After much wrangling, a settlement was finally worked out and confirmed both by the British parliament and—with resistance and reluctance—by Dail Eireann. Subject to a final allegiance to the British crown and certain naval and aerial restrictions, all Ireland, with the exception of Protestant Ulster under the northern parliament, became an independent state, The Irish Free State. This was a great triumph of reasonable-ness and the desire for peace. It conceded a practical freedom; it reserved a formal union. But it was threatened on either side.

Mr. De Valera objected because it divided Ireland and was not sufficiently humiliating for Great Britain, and he incited

his followers to revolt against the new Free State. Sir Edward Carson, now a judge and Lord Carson, also did his best, in spite of the decorum customary to judges, to keep alive the spirit of violence and bloodshed in Ulster. So that it was with difficulty and to the tune of nocturnal shots and screams that the Irish Free State struggled into being. The country was full of young men who had learnt no trade but guerrilla warfare, habits of disorder and violence had taken a deep hold upon the population, and civil war between the Republicans under De Valera and the Free State army ensued.

Such briefly was the story of the practical separation of Ireland from England. All that followed was to widen and deepen that separation. Michael Collins and Kevin O'Higgins, the two Irish statesmen who might have been able to bridge it, were murdered. De Valera, abandoning civil war, succeeded to power by Parliamentary means and devoted himself to widening it. A new constitution declared Ulster to be part of what was now called "Eire;" the threat, fortunately remained only verbal. But in 1936 De Valera took advantage of the abdication crisis to cut all constitutional connections with the British Commonwealth except the one that consisted in having Irish envoys accredited in the name of the King. So slight, however, was this connection that during the Second World War Eire remained neutral, kept its envoy in Berlin, and officially condoled with the Germans on the death of Hitler. When, after the war, a rival coalition unseated De Valera it severed even this last formal bond.

This series of events, which to American and British people alike must be a source of profound anxiety and regret, was a foreseeable result of the methods used by the British governing class in the inter-war period in dealing with the Empire's subject populations. At one time it had seemed as though the British Empire was to be the foster-mother of a great and exemplary confederation of free nations, either speaking English or using English as a *lingua franca*, and developing one great tradition of open speech, plain dealing, and justice throughout the world. At one time it had seemed that this great network, strengthened by a deepening understanding and closer and closer co-operation with the United States of America, might play a leading part in binding all the world together into a still greater unity. But the British ruling class, between the wars, was unable or unwilling to take its opportunities. Its education was too limited and its courage too small. The Governments between the wars, but for two fleeting episodes, were Conservative or Conservative-led, and for them conservatism meant holding on to what they had.

They resisted to the last what they still considered to be subject races; when they had to yield, they did so late and grudgingly, leaving contempt and division behind them where they might have had gratitude and co-operation. That nationalism in its crudest form still rules and poisons the minds of peoples in Asia and Africa as well as Europe is partly the fault of the British politicians of the twenties and thirties; an opportunity was offered to them that never recurred. The problems they evaded or tried to suppress were to return after the Second World War, in a far more dangerous form; nor would there be any solutions as simple and obvious as those which were vainly advocated to them at the earlier date.

§ 7

The Far and Near East

We have already noted the downfall of the Manchu dominion over China in 1911. This marks the realization by the Chinese intelligence of the outworn nature of its ancient imperial system. The old garment was cast aside. But there was no new garment ready to wear. The great mass of the population went on as it had gone on through century after century, industrious, illiterate, prolific, poor, peaceful and conservative, and overhead the educated minority struggled to discover efficient new forms to replace the supreme government that had grown threadbare and vanished away.

In the south a westernizing republicanism spread under the leadership of Dr. Sun Yat Sen, and the new government set up in Peking was republican and parliamentary in form. The reality of power rested with those who had control of the armed forces of the country, and it seemed probable for a time that a new dynasty would be set up under a great statesman and official, Yuan Shih-K'ai. The monarchy was, indeed, actually restored in 1915, but it vanished again the next year. The Japanese took a diplomatic part in the inevitable dissensions among the Chinese; they supported first this party and then that, in a general policy of preventing the consolidation of a renascent China.

In a belated and ineffective way China joined the Allies against Germany in 1917, in the hope of securing a status that would avail it against the inimical pressure of Japan.

From the death of Yuan Shih-K'ai onward the history of China becomes increasingly confused. A number of military

leaders sprang up and seized large areas and struggled against each other for the supreme power. Rival Chinese governments sent their representatives to Europe. The United States, Japan and the chief European powers conducted complicated intrigues, supporting this man or that. Meanwhile, the general life continued along time-honoured lines, and there were considerable developments of factory production and banking. Education was modernized, and experiments were made in the simplification of the script. There is something profoundly stirring to the historical imagination in the spectacle of this vast population dissolving the ancient bonds of its administrative fabrics and seeking blindly and gropingly for the new possibilities of social organization and collective power.

China had been condemned after the Boxer troubles to pay heavy indemnities to the various powers whose subjects had suffered in these risings. The Americans, with great wisdom, had remitted the payments due to them on condition that they were ear-marked for education, and a considerable number of Chinese students were sent to American colleges as the first-fruits of this generous idea. The French were more inclined towards banking and railway enterprise. The British and Japanese assigned their share vaguely between educational, sanitary, relief and economically beneficial works.

The Americans, at one time, seemed likely to be the spiritual fathers of a new China. But the young graduates who returned from the States with a wide knowledge of Western culture, and of Western industrial progress, almost without exception became followers of the native Chinese philosopher. Dr. Sun Yat Sen, already mentioned on a previous page. Dr. Sun for Chinese became for a while as important a teacher and philosopher as Lenin did for Russians: for a quarter of a century his Will was ceremoniously read at public meetings, his picture was bowed to, and his "Three Principles" were assumed to be the basis of all political programmes. These Three Principles were: (1) Nationalism, by which he did not mean the ordinary nationalism, which has devasted Europe and Asia, but the substitution of devotion to the community for devotion to the family; he did, as was inevitable in China of that day, include in this first principle the need to remove foreigners from their privileged position; (2) Democracy—the rule of the people, including women who had been till then assumed to be an inferior sex; (3) Social Justice, or Popular Livelihood—the word is difficult to translate. Eighty per cent of the Chinese people were farmers; nearly all were indebted either to the moneylender, or the landlord, or

both. The phrase may have been vague; its meaning to the average Chinaman, or to Dr. Sun, was not.

The principles of Dr. Sun and Nikolai Lenin were not far separated, neither were the needs of the Russian and Chinese revolutionaries. An agreement was easily come to, and in 1924 a member of the Russian Communist Party, Michael Borodin, assisted Dr. Sun to organize the Kuomintang, a party based upon his Three Principles. Local branches were opened, strict discipline was enforced, workers and peasants were enrolled, and a military section was organized in Canton (the only great city Dr. Sun controlled) under the direction of a young Chinese officer named Chiang Kai-Shek. All the rest of China was under the control of "war lords," as Britain had been during the Heptarchy: they paid no attention to what was going on in the South. Yen, Wu, Feng, Lu, Chang were names which for some years seemed to have importance; there was a shadow of a government in Peking to cover their operations, but it did not even have enough power to stop them making open war when they chose on each other. By 1926 the reorganized Kuomintang felt that it was ready to deal with them. Its newly-trained troops swept aside the discontented and incompetent soldiers of the war-lords; "Marshals" fell down like Aunt Sallies. Within a few months all South China was in their hands. To cross to the North, and to take control of the Yang-tse-Kiang, the great river on which so much of Chinese trade depended, they had to deal with a more formidable enemy—the foreigners, of whom at the moment the British seemed the most arrogant and against whom a Kuomintang trade boycott had been operating for months. There was a tense moment when the Kuomintang troops captured Hankow, the enormous triple trading city far up the Yangtse, where there was a British "concession," and made it clear, by strikes as well as armed threats, that foreign control must end. Fortunately, the British Government was wiser than the "old China hands" in Shanghai who wrote articles calling for war: it opened negotiations and handed over to the Chinese the concessions in Hankow and Kiukiang. The foreigner had been defeated. The Kuomintang armies, directed by Chiang Kai-Shek, who had married Dr Sun's sister-in-law, went north and captured Peking; there were now no independent war-lords left except Chang who had the isolated principality of Manchuria, and, just south of him, Feng, a once-famous "Christian general" (he was said to have baptized his armies with a hose-pipe), who declared his complete conversion to Kuomintang principles.

But hopes for a peaceful and united China were to be dashed:

Dr. Sun, the one man who could have held the Kuomintang together, had died in 1925. In 1927 the directors of the Communist International decided that the time had come to make the further step (logically necessary, in their view) from the confused "petty bourgeois and peasant" control by the Kuomintang to a proletarian dictatorship. Borodin himself, and Dr. Sun's widow, are said to have protested; but to no purpose. The attempt, based upon recent and turbulent trade unions, was made; the answer by General Chiang Kai-Shek was crushing. At the outset, the revolutionaries controlled Hankow while his base was the new capital Nanking. Only a few weeks had passed before the Communists were flying remnants and Chiang was in control of the whole Chinese government machine. But to be in control of the machine was not to be in control of China: if Chiang had carried out the Three Principles all might have been well, but in order to break the Hankow revolutionaries he had had to rely upon the old class of landlords, officials, and employers; and anything in the nature of a social revolution was now impossible.

Roads were built, many miles of railroad were constructed, factories were started, much educational work was done, foreign powers were helpful and foreign capital was invested. But the peasants found no relief from their indebtedness (let alone from their rents) and the town workers found their efforts to help themselves by trade union action simply forbidden. Of the three principles, the Chinese people received from the Kuomintang government something of the First ("Nationalism")—the foreigner had been sharply put back in his place and the worship of the family had been partly superseded; a very little of the Second ("Democracy"), for though China was a Republic, in which women were fairly treated, and some democratic formulas were adhered to, the State was in fact a Party dictatorship headed by "Generalissimo" Chiang Kai-shek; and nothing at all of the Third ("Social Justice"). The defeated Communists, who in their ruin learned to pay more attention to the peasants' demands and less to the theories of the Marx-Engels Institute in Moscow, found many supporters in the villages, and in two Central provinces, Kiang-si and Hu-nan, were able to set up units of government which for years defied Chiang's attempts to destroy them. This, and the almost greater nuisance of guerrilla warfare also prevented him from making China into a united state. Two war-lords remained; Chang was effectively independent in Manchuria, and the sly Christian General Feng north of Peking managed to keep his troops under his own hand. So long,

however, as the world outside was at peace these things seemed not to matter greatly.

In the nearer East, Persia had before the First World War been a happy hunting-ground for European diplomats and a very wretched land for men and women to live in. Russia pressed upon the unfortunate country from the north, Britain from the Persian Gulf; each did what it could to discredit and injure the other; great oil resources had been discovered and the American oil interests pursued devious paths of instigation and support. A parody of Western parliamentary government existed under a Shah, and the reality of power shifted between a number of scrambling feudal chiefs. They raided and murdered one another. The Russians had put in a Cossack brigade nominally to obey the government, but really to control it. The British had created a countervailing body, a *gendarmerie* officered by Swedes, which was understood to be international-spirited. These conflicting bodies muddled and murdered in the name of Western order. The Germans intrigued through the Turks to the detriment of both British and French.

The protection, diversion or destruction of oil pipe-lines is the key to the complex strategy of the situation. The Great War was for Persia a story of raids, marches, seizures and adventures by Cossacks, Germans, British and native tribal forces. As the victory swayed between Germany and her antagonists, the Persians, who cared nothing for these European disputes, propitiated or attacked the British. For a time after the war the British were ascendant in Persia, but in 1920 their position began to be seriously threatened by a Bolshevik invasion which resumed the ancient pressures of the Tsarist system. But gradually something more native and more detached from the conventions of diplomacy asserted itself. Persian national consciousness was growing, and the prestige of the West was fading. A strong man appeared, Riza Khan, who seized the government in 1921, retaining the nominal headship of the Shah. He made a treaty with Soviet Russia that established the country upon a footing of greater independence than it had enjoyed for many years. In 1926 he dispensed with the Shah and made himself ruler; the change was mostly one of name.

From Persia in the east to the Atlantic coast of Morocco, along the whole line of contact between ancient Christendom and the Muhammadan world, these post-war years display a complex of troubles and conflicts between Islam and the European powers and far more solidarity and unity of purpose, and even, at last, unity of action, is apparent upon the Islamic

than the western side. The European powers, blind to their growing danger, continued to intrigue against each other, upon seventeenth and eighteenth century lines. The trade in armament, open or furtive, flourished. It became more and more difficult to retain the loyalty of native levies.

In Morocco, Spain sustained a wasteful unending war against a gathering insurrection equipped with European and American weapons. There were disasters, retreats and withdrawals, and a certain Abd-el-Krim rose to leadership over the Riffs. Meanwhile the French held Fez and spread and sustained their dominion to the south of the Riff tribes, refraining from any co-operation with the Spanish until in 1925 Abd-el-Krim turned his guns and rifles against them and opened the prospect of a long and dangerous war.

A hundred and twenty thousand men were speedily involved in the struggle on the French side. French checks in Morocco produced a repercussion in the mandatory territories of Syria. The Druses rose against the French and inflicted serious losses. The Arab population became unhelpful and dangerous. The danger to Fez became also a danger to Damascus. To the south, the Wahabite Arabs were able to force the British-protected King of the Hedjaz to a resignation (1923) and exile. They took Mecca and spread their power slowly and surely into the ear-marked territory. In Egypt there was almost incessant trouble, the Egyptians under British rule were like boiling milk beneath a lid.

Everywhere in the Moslem world, Italy, France, Britain and Germany were destroying the ancient prestige of the West by their propaganda activities, and arousing Islam to a new self-consciousness. Turks, Arabs, Egyptians and Moslem India discussed European Imperialism together and discovered a common interest in its supersession. The pressure on the French in Morocco was presently relieved by the military and administrative genius of Marshal Lyautey, and Abdul-el-Krim was captured and sent into exile in 1926. The British Government, with its usual air of yielding ungraciously and under pressure what the natural liberalism of its home population was only too ready to concede, consented, after a long struggle against Zaghlul Pasha and the nationalist organization called the Wafd, to make the abolition of the British Protectorate and the Egyptian Declaration of Independence (1928) fully effective. The old protectorate was replaced by a treaty of offensive and defensive alliance, first projected in 1930 and signed in 1937, by which Egypt became eligible for admission to the League of Nations

as an independent sovereign power. The situation in the Western Mediterranean was complicated for the British in Palestine because of that schizophrenia of the Foreign Office which had given contradictory promises to the Arabs and the Zionist Jews. The long and intricate struggle of a certain section of the world-wide community of Jews to return to a country that had ceased to be even nominally Jewish in the days of Alfred the Great and in which (*see* Chapter 18, §§ 2 and 3) it is highly probable the bulk of their ancestors had never lived at all, witnesses to the power of historical assertion over fact. The immigrants were from the first resented by the Arab natives, but for so long as the flow was small the problem seemed not insoluble. But the energy of Dr. Chaim Weizmann and his fellow-zealots was reinforced by the recrudescence of anti-Semitism in Europe which made it a matter of life and death to find a home for fleeing Jews. The invaders, as invaders often do, claimed with much truth that they cultivated the land better than the natives, and were introducing industries never before known; the Arab resistance and anger merely grew the greater. The Jewish colonists were a compact intolerant mass, united by religious habits and observances and a belief that they were a " Chosen People "; the backward and half-feudal Arabs were in no state to resist. When they tried open violence, the British Mandatory power put them down by force. But even before 1939 it was clear that worse was to come; it was also clear that the governing power had no plans with which to meet the impending disaster. Both sides based their claims on religion and refused to discuss them reasonably; both looked to support from outside, the one from Islam and the other to world Jewry.

§ 8

Debts, Money and Stabilization.

In our account of the first French Revolution we have already discussed the elementary relations of credit and currency to social life. But the social dislocation caused in France by the Revolution and the wars that ensued was trivial in comparison with the immense displacements in Europe after the First World War. The community of the end of the eighteenth century was altogether more simple and autonomous than the intricately interwoven European community of the present time. Its economic and social life was contained within its own borders. But the peculiar difficulty of the modern situation is that while

economic relationships and reactions, because of the vast change in the means of communication, have long since transcended the boundaries of existing states, while now staple commodities and labour can be moved in mass from almost any part of the world to another—a thing never known before except in the case of the food supply of imperial Rome—men still clung to the petty political divisions, the isolated sovereign states established under the superseded conditions.

The delusion of national sovereignty, with its attendant fanaticisms for "God, King and Country" and the like, is the most monstrous of all superstitions at present active in the world. Each state must be free to make its own money, regulate its own credit, hamper transport through its territory and set up tariff barriers to the flow of trade. Each must incur its own debts and remain obstructive, hostile and armed to the teeth against its essentially similar neighbours. Each must maintain its own educational system, teach a partial and lying history, and instil a poisonous national conceit and a poisonous hostility to foreigners in each new generation.

The consequence to Europe of this inherited curse of unfederalized sovereign states was that, when the process of economic confusion and exhaustion that had appeared in France after the French Revolution recurred in Europe on a much vaster scale after the Great War, it was enormously complicated by the international tangle. Every state was impoverished, but every state had figured up debts against every other state for national aid in the war in which they were allies, and fantastic debt charges had been imposed upon the vanquished. Although the United States in the later stages of the war had been an antagonist of Germany and had suffered less than any European state concerned, American munitions had been supplied at exaggerated prices to all her allies, and Europe was now stupendously indebted to America.

A frank repudiation of most of these war debts and war claims would have cleared the air for all the world, but only a powerful federal government in Europe could have been so bold and frank. Europe had no federal government, no world politicians, no broad-minded leaders, but only parochial-minded kings, statesmen, politicians, tariff-sustained business leaders, newspapers limited in outlook to their language and distribution areas, state-supported teachers, national universities, and groups of "patriotic" financiers; and all were terrified at the bare idea of any greater system that would obliterate the abundant personal advantages they enjoyed at the expense of the European

commonweal. They would not have a common Europe; they would not hear of it; they would rather have had Europe dead than denationalized. As soon would flies abolish a manure-heap.

So all Europe west of Russia passed politically into a Shylock phase; schemes for the repayment of those fantastic war debts consumed the public mind, and meanwhile each sovereign state followed its own devices with money. Many people were catastrophically impoverished, many became fantastically rich by speculation, and it seemed wiser to spend money than to accumulate it. If there was a failure to produce houses for ordinary people there was no let or hindrance to the building and improvement of luxury hotels; there was never so much dancing in Europe and never so sedulous a pursuit of sport and pleasure. The face of Europe showed the flush of a wasting fever.

The monetary collapse came first in Russia. There it was fostered and welcomed by the Communist government. Roubles were printed without restraint, and exchange fell and prices rose up until an egg or an apple was sold for 10,000 roubles and the peasant had no more inducement to hoard or to work for hoarding. It was the intention of the stricter communists to abolish all free buying and selling. Money was to be rendered valueless, and the work of the citizen was to be recognized by periodically delivered cards not generally interchangeable but bearing detachable coupons for food, clothing, books, travel and so forth. But already in 1921 the Bolshevik government was convinced of the need of recovering that economic fluidity that only money can give, and a new rouble currency appeared, of which one rouble was worth 10,000 of the older dispensation. This was replaced in 1923 by the chervonetz, a gold rouble equal in value to the Tsarist rouble before the war.

To the west of Russia there was no attempt to get rid of the use of money altogether, but there was more or less inflation in every country. The monetary experiences of Germany were extreme, and give the general process in its completest form. Unable to raise sufficient money by taxation to meet its foreign obligations and its internal necessities, the government resorted to the printing-press. As it increased the amount of marks in circulation, the cost of administration and the price of the foreign currency needed for reparation payments rose, and this necessitated a further resort to the printing-press. In January, 1923, the dollar, which at par had been worth five gold marks, had appreciated to 7,260. Then came a swift collapse. In February it was worth 21,210 paper marks. In July it passed

the million point. By the end of the year it was worth four billion paper marks.

The social effects of this fantastic change of trustworthy money to worthless paper were profound. The whole class of people living on investments with fixed interest, retired people, widows and orphans with annuities and so forth, was pauperized and driven to the most abject expedients to live; all scientific, literary and educational activities dependent on endowments stopped. Officials, teachers, professional men and such-like persons living on fixed salaries or fixed fees were never able to increase their stipends in proportion to the rise in prices. There was, in fact, a sort of economic massacre of the poor educated. Rents vanished, but the prices of every necessity soared fantastically.

On the other hand, every mortgagor and every business company was in a position to pay off its debts with worthless paper, and the internal government debt and municipal loans evaporated. For a time export business was feverishly stimulated. Strong checks had to be imposed to prevent the exportation of everything valuable in the land. But the importation of food and raw materials sank to nothing, and employment after an initial spurt rapidly decreased. Food became scarce in the towns because the peasants, realizing the uselessness of money, would now only barter. Hunger, distress and worry were the lot of the mass of the middle classes and of the saving respectable poor. The suicide-rate rose steeply. The birth-rate fell 15 per cent, as compared with the previous year. In spite of this, the infant mortality increased 21 per cent.

Everywhere political trouble broke out, reactionary and insurrectionary movements. Perhaps no other people but the orderly, educated and disciplined Germans could have weathered this storm. In November the government created a new currency. It introduced a new "Rentenmark" secured on the general assets in the country, and it stopped the further printing of the old marks. A Rentenmark was worth a billion paper marks. By restraining the issue severely, the Rentenmark was gradually lifted to success, and so Germany was able to return, also, to its former allegiance to the gold standard. A gold Reichsmark replaced the Rentenmark in 1925, at equal value, and the Rentenmarks were gradually withdrawn.

In several countries, in Austria and Poland for example, the monetary story had been almost as tragic as in Germany. Both staggered back to their present new adjusted currency. The Austrians adopted a new coin of account, the schilling; the Poles, a zloty, both based on gold. Such countries as

Czechoslovakia, Greece, Finland, though they inflated, inflated in moderation, and retained their original monetary unit in a kind of stability at about a fifth or a sixth of its former gold value. Italy, France and Belgium inflated within still more narrow limits. The lira sank from 25¼ to below 100 to the pound sterling before the time of Mussolini, and, after a phase of dubious security, went on sinking gradually to 110, 120, 130; it was then put through a régime of severe restriction and "stabilized" at a new level of rather more than a quarter of its original value. The French and Belgian franc and the Spanish peseta sank still more slowly. The franc passed the hundred to the pound limit in 1925, and then after a crisis and a panic was adjusted at about a fifth of its pre-war purchasing power.

The British sovereign fell away from its gold value after the war, but never to the extent of losing more than a third of its worth, and in 1924–25, after strenuous efforts, a restraint upon credit, a check to business enterprise and a grave crisis of unemployment, it was pulled back to its ancient parity with the gold dollar. The Scandinavian countries, Holland and Switzerland experienced relatively small currency exaltations and depressions.

This is history in an arithmetical form. The reader must imagine for himself the enormous volume of fears, anxieties, cruel disappointments, tragic distresses, hardships, privations, illnesses, despairs and deaths these barometric antics of the European currencies would mean if they could be translated into terms of human feeling.

Britain struggled back for a time to the gold standard. It did not give an ideal currency, but it seemed to be the best standard possible in the world while money was still controlled by a multitude of independent governments. Because there was no cosmopolitan government, no federal world government capable of controlling these affairs, it seemed necessary to hand over the economic lordship of the earth to a metal. It was dead stuff; it could not respond to increases and decreases of real wealth; it made every new productive activity pay tribute to the profits of the past; but at least it could not cheat and lie and it had no patriotic prejudices.

But it could be caught and imprisoned. The enormous war-debt payments made to America and France accumulated very great quantities of gold in these two countries. There it was hoarded and the actual value of the coined dollar in gold became less than the normal "gold dollar" note. The return to the gold standard in a time when the production of commodities in

general outruns the release of gold for coinage was all to the advantage of the creditor. Prices fell. He reaped more than he had sown and enterprise was crippled.

§ 9

The Great Crash of 1929.

Up till the winter of 1929 the world had been slowly recovering. It was still suffering from the effects of the war, it was distracted in more senses than one, and it may well have been unconsciously hoping for an 1830 or 1848 to clarify its problems for it. However, it was to have something very different—not an upheaval directed by men who, how ever unpractical, had ideals to inspire them and ideas to offer to their followers, but an impersonal uncontrolled and insensate disaster, whose origins it did not understand and whose effects were almost wholly evil. So much stress, in earlier sections of this history, has been laid on the defects and disappointments of the post-war world that a short time must be spent on showing why 1929 became for millions of people the last of the golden years to which they looked back.

Firstly, they had security against war. The League of Nations was still, it was true, only a League of some nations; the United States remained sulkily absent, Russia was neither willing nor allowed to come in. But even thus truncated it had stopped promising little wars in the Aland Isles, Silesia and Macedonia; it might not have strength to hold back major powers, but no major power had shown any desire to flout it. Italy, in particular, had declared Fascism was "not an article for export" and frequently paid more deference to League opinion than more democratic states. Secondly, there had been a great advance in scientific and industrial knowledge; particularly astonishing to the ordinary man were the adoption of flying as a normal means of travel and the universal use of the wireless for communication. Thirdly, there had at last come a period of prosperity for the ordinary man. There were many exceptions —there were countries like Britain where a foolish financial policy kept a million men unemployed, or like China where poverty was endemic—but on the whole the population of the world had more time for leisure and more to eat than it had had before. The population of the United States indeed seemed almost fantastically rich. These easier conditions were reflected in a greater political freedom. The Eastern European nations did not cease persecuting their minorities, but they became milder.

The League's Minorities and Mandates Commissions made oppressive practices more difficult and more unpopular. Near Eastern nations like Irak and Egypt did not, it is true, secure uncorrupt and truly democratic governments: but the governments they had were at least at the level of England of the eighteenth century which was in the circumstances a great advance. There was even a rapprochement between the British and the Indian nationalists. The outside world had ceased to harry Russia; after a controversy between Trotsky and Stalin over the possibility of "Socialism in one country alone" the latter had won, and turned Trotsky out (1927) with his theory of "permanent revolution." Nobody but professional revolutionaries seemed distressed by this: the Soviet Union next year turned to a "Five Year Plan" for industrial re-equipment which seemed to be, if anything, a guarantee of peaceful intentions to its neighbours. The mildness with which the Bolsheviks treated their deposed leader, who was merely exiled, was frequently contrasted with the savagery of the French Revolution.

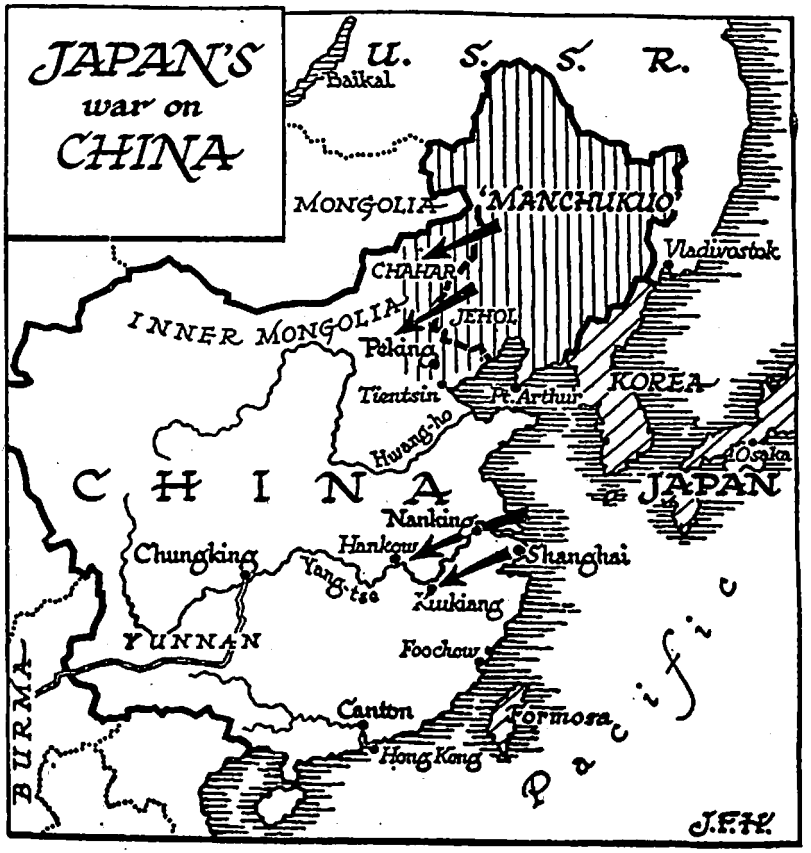
The collapse of 1929, as no one will forget who lived through it, began on the 24th October, in Wall Street. It signalized itself merely by the hasty selling, at rapidly falling prices, of securities which the wiser operators already knew were overpriced. But from that moment the panic spread until the whole surface of the world was affected by industrial paralysis: paralysis is an apt word, for it was like a disease, but a disease with no cause in nature. The starvation, the silent factories, the goods thrown away, the men standing idle were the results of human activities. There had been no famines, floods, or national disasters (indeed, at one time men even prayed for these to relieve their troubles); there had not even been wars or devastations. Nevertheless, in the richest country in the world, the United States, "nearly twenty million people were facing starvation in the early months of 1933" (Mr. Hampden Jackson). The condition of poorer countries was correspondingly worse. The crisis continued beyond 1933—indeed, it can be argued that it did not really cease until war and the preparations for war ended it.

There had been commercial crises for nearly a century. Economists, observing them dispassionately as if they had been uncontrollable phenomena (as they may well have been, while private ownership was uncontrolled), noted that they recurred roughly every ten years. None, however, had been quite so disastrous as this; for this one was intensified by the consequences of particular follies. Most of these have been enumera ed, but the reader may need to be reminded of them. The f :t folly

was the political and economic clauses of the Versailles Treaty: the predictions of Keynes and others were at last being realized. Old-established units like the Austrian empire had been broken up, and feeble little states, each with its tariff wall, had taken their place. Even reforms which were desirable in themselves turned out to be dangerous; the substitution of peasant proprietors for semi-feudal landlords in the centre and east, for example, had caused a fall in agricultural production, and it was only by agriculture that these countries could live. Worse than this was the effect of "reparations"—the belief that the Allied countries could indefinitely live off Germany was having its inevitable results. The Dawes plan, it had been calculated, meant that Germany would pay 80 marks every second or 288,000 marks an hour for an unlimited time; the improvement of the Young plan limited the period—to fifty-nine years! Such avaricious dreams could only be realities so long as America was prepared to lend money lavishly to Germany to make payments possible: the moment this ceased to be so, not only Germany but all those leaning on her would collapse. Most disastrous of all, probably, was the financial policy of the United States. The States tried to enforce, by all the means they could short of war, the payment of the "war debts" of their Allies: at the same time their rulers, as blind as they were greedy, prevented the payments being made. Ultimately all international payments had to be made in goods or gold: successive American Congresses increased tariffs until foreign goods were effectively excluded. (The highest known tariff was actually enacted as late as 1930.) For a while the problem was evaded by the piling up of a useless mass of gold at Fort Knox, drawn from all foreign countries; for a little longer, again, it was evaded by American loans to debtor countries, but so soon as these loans had to be called in, disaster was certain. As if to make sure that their people's suffering would be as acute as possible, United States business-men developed instalment selling (hire-purchase) to such an extent that nearly every other family was in debt for some article or other, and gambling in stocks increased so much that in the larger cities even stenographers and labourers were in the game.

The political effects of this disaster, which is now seen to be a dividing line in history, were double. In countries where a change of government was constitutionally possible, the government was thrown out. If it was "Left," a "Right" government was installed, or vice versa—it was almost a matter of chance. Where dictatorships ruled, governments became more ruthless

at home, and abroad realized that they could at last act precisely as their narrowest greed suggested to them. The peace-loving powers had no longer the power or will to protect the beginnings of international organizations; the dictators could, and they did,



attack their weaker neighbours and start on the path to the Second World War.

Certain countries, as has been said, went "Left." Alfonso of Spain hurried out of the country in 1930 and left it to the Republicans. President Hoover and the Republican Party of the United States had so consistently claimed credit for American prosperity that they could not escape responsibility for the disaster: they were dismissed in 1932 by an electorate which was not to forgive them for very many years. The Siamese King was compelled to give up his autocracy the same year, and accept some sort of

popular control. But these, at spots so widespread across the world, were almost the only cases where men reacted to the crisis by a new determination to control their own affairs; elsewhere, the story was one of despair, or of acquiescence in the revival of the old methods of tyranny and violence.

A new rash of dictators spotted the South American Continent. Getulio Vargas installed himself in Brazil at the end of 1929. Bolivia, Peru, and the Argentine became dictatorships next year; Chile in 1931. In 1932, ignoring the League's appeals, Bolivia and Paraguay embarked on a long and bloody war for a jungle called the Gran Chaco; the war gave an opportunity for Fascist and Nazi agents to enter South America and practise their chosen profession. In India the short period of co-operation between British and Indians ended in 1930 in the resumption of "civil disobedience;" in the Near East King Fuad of Egypt chased out his Parliament, and the Iraki government in 1933 celebrated its new freedom from the British by quite coolly and deliberately massacring the Assyrians for being Christians.

In Europe Pilsudski rigged the Polish elections so as to make himself dictator at the end of 1929; Kings Alexander of Yugoslavia and Carol of Roumania dispensed with Parliamentary control; a Bulgarian military dictatorship was set up in 1934 and a Greek one (under Metaxas) in 1935. Esthonia and Latvia became dictatorships in 1934; the Portuguese dictator, Salazar, presented himself with a new statutory authorization in 1933. Dollfüss, a Catholic politician, wiped out the Austrian Socialists by violence in Vienna, and installed a Catholic-Fascist régime, in February 1934. Probably the worst of all the results of the crisis, for the future, was the installation of the Nazis in power in Germany in 1933, to be described later; the most immediately shocking was the invasion of Manchuria by Japan in 1931. The existing pacific government of Japan was turned out by Army officers, and its more important members murdered methodically at later dates: the new government, deciding correctly that the League powers would not intervene, took a trivial pretext to invade Manchuria, a Chinese province that Chiang Kai-Shek had not succeeded in controlling, occupied it and refused to move.

What seemed to make the crisis insoluble (though the causes were really deeper) was the course of events in Britain. London was still the financial centre of the world; the British government was a Labour government headed by an unusually vague-spoken politician, Ramsay MacDonald. It had no majority in Parliament; if it had wished to meet the crisis by a Socialist policy

it would not have been allowed to do so; in the upshot it was able to do nothing.

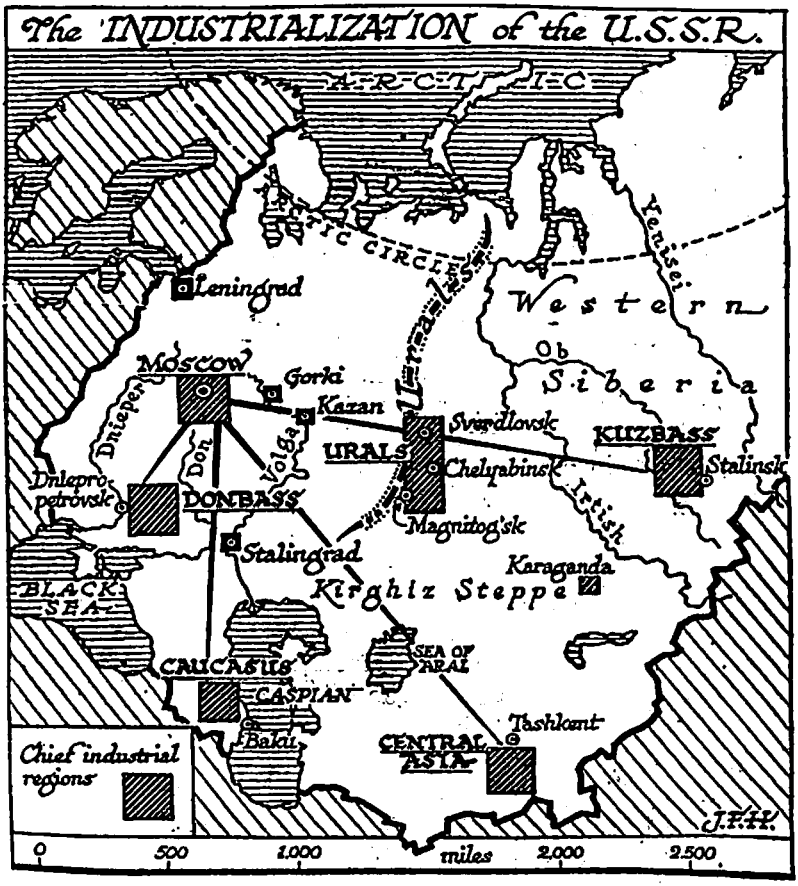
American investment in Germany and Austria ceased in 1929. In 1930, as Wall Street became more and more desperate, American lenders began to call back their loans, and within a few months the Credit Anstalt, a bank that financed the majority of Austrian industry, faced bankruptcy. President Hoover suggested a moratorium on Reparations payments, Chancellor Brüning of Germany a Customs Union with Austria. But France, whose Government had been taken over by a politician named Tardieu who thought the Versailles treaty "too moderate," obstructed both proposals. British and German banks had to lend money to prop up the Austrian bank; in so doing they only transferred the danger to themselves. A run started on the German banks, and in July 1931 the famous Darmstadt Bank failed. The weight now fell wholly on London, and the run on gold was such that by August it was clear that the Bank of England could not survive without foreign aid. Gold was to be found only in Paris and New York; Paris would lend none, and New York insisted upon changes in British policy (notably reductions in unemployment pay) which the Cabinet would not accept. MacDonald, the Premier, in consultation with his Conservative opponents, turned his own party out and formed a "National Government" to save the pound. But the pound could not be saved: late in September an Act was passed abandoning the Gold Standard. The pound fell in value by a fifth, and all the countries who had confidently used London as their banker and conducted their trade in sterling found themselves forced off the gold standard as well. The old financial and trade arrangements of the world were in ruins.

The new British government succeeded in blaming the disaster wholly upon its predecessor; at the general election of 1931 the "National" coalition gained 570 seats to Labour's 46, and although the giant size of the majority was diminished in 1935, the election introduced nine continuous years of rule by a small Conservative group. The name "national" was retained for electoral purposs, there being small parties called "National Liberal" or "National Labour"; but the enormous majority was Conservative. The effective direction was in the hands of a circle around first Stanley Baldwin and then Neville Chamberlain; Winston Churchill and his followers were excluded. French politicians were less fortunate: in 1936 a coalition of Radicals, Socialists and Communists called the "Popular Front" put the existing clique out of office.

The domestic policy of the United States was completely in the hands of a great empiricist. Neither Congress nor the people were disposed to oppose or even criticize any remedies that Franklin Delano Roosevelt proposed: he himself held no systematized philosophy and was deliberately trying one thing after another. So much did his hit-or-miss technique commend itself to his countrymen that despite furious opposition they would never desert him. First elected in 1932 and taking office in 1933 he was re-elected in 1936, 1940 and 1944; his reign (he is the only President to whom the word is appropriate) ended only with his death. His earliest devices included the Agricultural Adjustment Act (AAA) to force up farm prices by reducing production and the National Industrial Recovery Act (NIRA) which attempted to revive industry by persuading employers to observe "codes" raising wages, shortening hours, improving conditions and banning child labour. Both these Acts ran into difficulties, and the administration was more indignant than sorry when the Supreme Court in 1935 and 1936 declared them unconstitutional. Their objects seemed more likely to be achieved by a grand and continuing scheme of public works, already started in 1933 and carried on under various names until the approach of war made it unnecessary. Far different from the road-mending which had previously been dignified with the title of public works, it included schemes for even actors and writers, and one achievement that awed all but the angriest critics—the Tennessee Valley Authority, which, setting out to control a destructive river, proved to be the greatest and most successful example of regional planning in a free country. Flood control was the least of its benefits—cheap and universal electricity, reafforestation, the restoration of eroded land and the introduction of new industries completely changed what had once been a poverty-stricken and despairing area. Less universal approval was secured by the Wagner Act (1935) which forced American business men, till then the most autocratic in the world, to recognize and negotiate with the trade unions, who now began to exercise a stronger and stronger influence in politics.

Russia, based on a Socialist economy, did not receive the same shock as other states: no inexplicable queues of unemployed appeared, no factories were closed down while materials were abundant. But the Soviet Union was affected almost as seriously in other ways. Lenin had explicitly laid it down that the suspension of freedom during the revolution was to be temporary, and would be followed by a state freer than anything possible under a *bourgeois* order. But so far from increasing

personal liberties, the Soviet Union became politically more and more of a police state; from a turbulent and dictatorial democracy it was evolving into an oligarchy and seemed on the way to becoming an autocracy. There was great material progress which only the most biased observers could ignore. The Five Year Plan was very nearly completed in four years. Great power



stations were erected—one very famous one on the Dnieper—oil wells sunk, steel-plants erected, and wholly new industrial centres created at Kuznetzk in Siberia, Magnitogorsk in the Urals, and elsewhere. Illiteracy, in this vast and most backward of countries, was partly destroyed; in the outlying and more barbarian parts of the Union the advances in civilization were sensational. But peasant proprietorship, which was not permissible by Communist theory, was ended in 1929–31 in an unnecessarily brutal manner.

All successful peasants were labelled "Kulaks", and were to be forced into collective farms or State farms. Many thousands were deported to Siberia; sabotage and resistance was widespread; it was stated that at one time half the livestock of Russia had been slaughtered.

The first Five Year Plan was succeeded in 1932 by the announcement of a second Plan, which was to concentrate upon housing, transport, the production of consumer goods and the raising of the standard of life of the people. In many ways it was successful, but it was accompanied by political changes that startled the outside world. Trotsky had been expelled by an alliance between Kamenev, Zinoviev, and Stalin; the two first of these *triumvirs* found that they had handed themselves over to the power of the third. Stalin, as secretary of the Communist Party, was the sole controller of political power; nor was he a man given to mercy. Over 110 people had been put to death to avenge the murder of his friend Kirov in 1930. His colleagues found themselves first extruded from power, and then put on trial. In 1936 fourteen of the most famous "comrades of Lenin," including Kamenev and Zinoviev, were charged with treason, and shot. Another batch followed a few months later; next year Tukhachevsky and many others of the higher officers of the Red Army were executed. Throughout the country these trials were paralleled by the execution or imprisonment of thousands of minor persons, until there was no one at all who opposed the policies of Stalin. Mr. Vishinsky, the chief prosecutor, secured 6,238 death sentences in open court. The accused, without so far as is known one exception, produced confessions admitting exactly what they were charged with, even when these offences were very improbable. By the end of the "purges" all the leaders of the 1917 revolution bar one were dead. This one was on an eminence surrounded by younger men or men of the second rank: he now received an adoration very surprising to those who remembered the democratic traditions of the older socialism. Lenin was dead before men dared rename a city after him, but the Russian map now was spattered with Stalin, Stalino, Stalinsk, Stalingrad, Stalinogorsk, Stalinabad and such like.

The profound political change inside Russia had effects outside its borders. In 1927 there were revolutionary Communist parties in almost every Parliamentary country; they had to be brought to heel. The annual meetings of the Communist International were suspended for six years to allow of this. Trotskysts were first driven out: the abandonment of "permanent revolution" in favour of "Socialism in one country" naturally