

has arisen a tendency for each to take on the form of an exploiting group in regard to the great middle class of consumers and unorganized workers.

In the two decades, 1925-1945, it seemed that the efforts of men like Lord Melchett and others would create a situation where monopolized industry and unionized labor would cooperate on a program of restricted output, high wages, high prices, and social protection of both profits and employment to the jeopardy of all economic progress and to the injury of the middle and professional classes who were not members of the phalanx ranks of cartelized industry and unionized labor. Although this program did succeed to the point where much of Britain's industrial plant was obsolescent, inefficient, and inadequate, this trend was partly ended by the influence of the war but chiefly by the victory of the Labour Party in the election of 1945.

As a result of this victory, the Labour Party began an assault on certain segments of heavy industry in order to nationalize them, and initiated a program of socialized public services (like public medicine, subsidized low food prices, and so on) which broke the tacit understanding with monopolized industry and began to distribute the benefits of the socialized economy outside the ranks of trade-union members to other members of the lower and lower middle classes. The result was to create a new society of privilege which from some points of view looked like an inversion of the society of privilege of 1900. The new privileged were the trade-union elite of the working classes and the older privileged of the upper classes, while the exploited were the middle class of white-collar and professional workers who did not have the unionized strength of the one or the invested wealth of the other.

Chapter 30—Political History to 1939

The domestic political history of Britain in the twentieth century could well be divided into three parts by the two great wars with their experience of coalition or "national" government.

In the first period ten years of Conservative government (in which Salisbury was succeeded by Balfour) were followed by ten years of Liberal government (in which Campbell-Bannerman was succeeded by Asquith). The dates of these four governments are as follows:

A. Conservative

1. Lord Salisbury, 1895-1902
2. Arthur J. Balfour, 1902-1905

B. Liberal

1. Henry Campbell-Bannerman, 1905-1908

2. Herbert Henry Asquith, 1908-1915

The government of Balfour was really nothing but a continuation of the Salisbury government, but it was a pale imitation. Balfour was far from being the strong personality his uncle was, and he had to face the consequences of the Salisbury government's mistakes. In addition he had to face the beginnings of all those problems of the twentieth century which had not been dreamed of during the great days of Victoria: problems of imperialist aggressions, of labor agitation, of class animosities, of economic discontents.

The sorry record of the British war administration during the Boer War led to the establishment of a Parliamentary Committee of Investigation under Lord Esher. The report of this group resulted in a whole series of reforms which left Britain far better equipped to stand the shocks of 1914-1918 than she would otherwise have been. Not the least of the consequences of the Committee of Investigation was the creation, in 1904, of the Committee on Imperial Defence. On this latter committee Esher was, for a quarter-century, the chief figure, and as a result of his influence, there emerged from the obscurity of its secretarial staff two able public servants: (Sir) Ernest Swinton, later inventor of the tank, and Maurice (Lord) Hankey, later secretary at the Peace Conference of 1919 and for twenty years secretary to the Cabinet.

The Balfour government was weakened by several other actions. The decision to import Chinese coolies to work the mines of the Transvaal in 1903 led to widespread charges of reviving slavery. The Education Act of 1902, which sought to extend the availability of secondary education by shifting its control from school boards to local government units and by providing local taxes (rates) to support private, church-controlled schools, was denounced by Nonconformists as a scheme to force them to contribute to support Anglican education. The efforts of Joseph Chamberlain, Balfour's secretary of state for the colonies, to abandon the traditional policy of "free trade" for a program of tariff reform based on imperial preference succeeded only in splitting the Cabinet, Chamberlain resigning in 1903 in order to agitate for his chosen goal, while the Duke of Devonshire and three other ministers resigned in protest at Balfour's failure to reject Chamberlain's proposals completely.

Added to these difficulties, Balfour faced a great ground-swell of labor discontent from the fact that the wage-earning segment of the population experienced a decline in standards of living in the period 1898-1906 because of the inability of wages to keep up with the rise in prices. This inability arose very largely from the decision of the House of Lords, acting as a Supreme Court, in the Taff Vale case of 1902, that labor unions could be sued for damages arising from the actions of their members in strikes. Deprived in this fashion of their chief economic weapon, the workers fell back on their chief political weapon, the ballot, with the result that the Labour membership of the House of Commons increased from three to forty-three seats in the election of 1906.

This election of 1906 was a Liberal triumph, that party obtaining a plurality of 220 over the Conservatives and a majority of 84 over all other parties. But the triumph was relatively short-lived for the upper-class leaders of that party, like Asquith, Haldane, and

Edward Grey. These leaders, who were closer to the Conservative leaders both socially and ideologically than they were to their own followers, for partisan reasons had to give free rein to the more radical members of their own party, like Lloyd George, and after 1910 were unable to govern at all without the support of the Labour Party members and the Irish Nationalists.

The new government started off at full tilt. The Trade Disputes Act of 1906 overturned the Taff Vale decision and restored the strike as a weapon to the armory of the workers. In the same year a Workingmen's Compensation Act was put on the books, and in 1909 came an Old Age Pension system. In the meantime the House of Lords, the stronghold of Conservatism, tried to halt the Liberal tide by its veto of an Education bill, of a Licensing bill which would have reduced the number of "public houses," of a bill restricting plural voting, and, as the coup de grace, of Lloyd George's budget of 1909. This budget was aimed directly at Conservative supporters by its taxation of unearned incomes, especially from landed property. Its rejection by the Lords was denounced by Asquith as a breach of the constitution, which, according to his belief, gave control over money bills to the Lower House.

From this dispute emerged a constitutional crisis which shook English society to its foundations. Even after two general elections, in January and in December 1910, had returned the Liberals to power, although with a reduced majority, the Lords refused to yield until Asquith threatened to create enough new peers to carry his Parliament bill. This bill, which became law in August 1911, provided that the Lords could not veto a money bill and could not prevent any other bill from becoming law if it was passed in three sessions of the Commons over a period of at least two years.

The election of 1910 had so reduced Asquith's plurality that he became dependent on Irish and Labourite support, and, for the next four years, was of necessity compelled to grant both concessions for which he personally had little taste. In 1909 the Lords, again as a Supreme Court, declared the use of union funds in political campaigns to be illegal, thus destroying the political weapon to which Labour had been driven by the Taff Vale decision of 1902. Asquith was not eager to overthrow this so-called "Osborne Judgement," at least for a while, for as long as union political activities were illegal the Labourite members of the Commons had to support Asquith in order to avoid a general election they could no longer finance. In order to permit the existing Labour members to live without union funds, the Asquith government in 1911 established payment for members of Parliament for the first time. Labour was also rewarded for its support of the Asquith government by the creation of Health and Unemployment Insurance in 1911, by a Minimum Wage Law in 1912, and by a Trades-Union Act in 1913. This last item made it legal for labor organizations to finance political activities after approval by a majority of their members and from a special fund to be raised from those union members who did not ask to be exempt.

Assaulted by the supporters of women suffrage, dependent on the votes of Labour and the Irish Nationalists, and under steady pressure from Nonconformist Liberals, the Asquith government had an unpleasant period from 1912- to 1915. The unpleasantness

culminated in violent controversies over Irish Home Rule and Welsh Disestablishment. Both bills were finally jammed through without the acceptance of the Lords in September 1914, in both cases with provisions which suspended their application until the end of the war with Germany. Thus the weakness and divisions of the Asquith government and the alarming divisions in Britain itself were swallowed up in the greater problems of waging a modern war of unlimited resources.

The problem of waging this war was given eventually to coalition governments, at first (1915-1916) under Asquith and later (1916-1922) under the more vigorous direction of David Lloyd George. The latter coalition was returned to power in the "Khaki Election" of December 1918, on a program promising punishment of German "war criminals," full payment by the defeated powers of the costs of the war, and "homes fit for heroes." Although the Coalition government was made up of Conservatives, Liberals, and Labour, with an ex-Liberal as prime minister, the Conservatives had a majority of seats in Parliament and were in closest contact with Lloyd George so that the coalition government was, except in name, a Conservative government.

The political history of Britain in the years between 1918 and 1945 is a depressing one, chiefly because of Conservative errors in domestic economic policy and in foreign policy. In this period there were seven general elections (1918, 1922, 1923, 1924, 1929, 1931, 1935). In only one (1931) did a party receive a majority of the popular vote, but in four the Conservatives obtained a majority of seats in the House of Commons. On the basis of these elections Britain had ten governments in the period 1918-1945. Of these, three were Conservative-dominated coalitions (1918, 1931, 1940), two were Labour supported by Liberal votes (1924, 1929), and five were Conservatives (1922, 1923, 1924, 1935, 1937), thus:

Lloyd George	December 1918 - October 1922
Bonar Law	October 1922 - May 1923
Stanley Baldwin	May 1923 - January 1924
Ramsey MacDonald	January 1924 - November 1924
Second Baldwin	November 1924 - June 1929
Second MacDonald	June 1929 - August 1931
National Government (McDonald)	August 1931 - June 1935
Third Baldwin	June 1935 - May 1937
Neville Chamberlain	May 1937 - May 1940
Second National Government	

(Churchill)

May 1940-July 1945

The Lloyd George coalition was almost a personal government, as Lloyd George had his own supporters and his own political funds and feuds. Although technically a Liberal, Lloyd George had split his own party, so that Asquith was in opposition along with the Labour party and about an equal number of Conservatives. Since the 80 Irish Nationalists and Irish Republicans did not take their seats, the 334 Conservatives in the coalition had a majority of the Commons, but allowed Lloyd George to take the responsibility for handling the postwar problems. They waited four years before throwing him out. During this time domestic affairs were in a turmoil, and foreign affairs were not much better. In the former, the effort to deflate prices in order to go back on the gold standard at the prewar parity was fatal to prosperity and domestic order. Unemployment and strikes increased, especially in the coal mines.

The Conservatives prevented any realistic attack on these problems, and passed the Emergency Powers Act of 1920, which, for the first time in English history, gave a peacetime government the right to proclaim a state of siege (as was done in 1920, 1921, and 1926). Unemployment was dealt with by establishment of a "dole," that is, a payment of 20 shillings a week to those unable to find work. The wave of strikes was dealt with by minor concessions, by vague promises, by dilatory investigations, and by playing one group off against another. The revolt in Ireland was met by a program of strict repression at the hands of a new militarized police known as "Black and Tans." The protectorate over Egypt was ended in 1922, and a reexamination of imperial relations was made necessary by the refusal of the Dominions to support the United Kingdom in the Near East crisis arising from Lloyd George's opposition to Kemal Atatürk.

On October 23, 1923, the Conservatives overthrew Lloyd George and set up their own government under Bonar Law. In the following General Election they obtained 344 of 615 seats, and were able to continue in office. This Conservative government lasted only fifteen months under Bonar Law and Stanley Baldwin. In domestic affairs its chief activities were piecemeal action on unemployment and talk about a protective tariff. On this last issue Baldwin called a General Election in December 1923 and lost his majority, although continuing to have the largest block in Commons, 258 seats to Labour's 191 and the Liberals' 159. Asquith, who held the balance of power, could have thrown his support either way, and decided to throw it to Labour, hoping to give Labour a "fair chance." Thus the first Labour government in history came to office, if not to power.

With an unfriendly House of Lords, an almost completely inexperienced Cabinet, a minority government, a large majority of its members in Commons trade unionists with no parliamentary experience, and a Liberal veto over any effort to carry out a Socialist or even a Labourite program, little could be expected from MacDonald's first government. Little was accomplished, nothing of permanent importance at least, and within three months the prime minister was looking about for an excuse to resign. His government continued the practice of piecemeal solutions for unemployment, began public subsidies for housing, lowered the taxes on necessities (sugar, tea, coffee, cocoa), abolished the

corporation tax and the wartime duties of 33 1/3 percent on motorcars, watches, clocks, musical instruments, hats, and plate glass, as well as the 1921 duties on "key industries" (optical glass, chemicals, electrical apparatus) .

The chief political issue of the day, however, was Communism. This rose to a fever heat when MacDonald recognized Soviet Russia and tried to make a commercial treaty with the same country. MacDonald cooperated with the Liberals with ill-grace and resigned when Parliament decided to investigate the quashing of the prosecution, under the Incitement to Mutiny Act, of the editor of a Communist weekly paper. In the resulting general election the Conservatives played the "red scare" for all it was worth. They were aided greatly when the permanent officials of the Foreign Office issued, four days before the election, the so-called "Zinoviev Letter." This forged document called upon British subjects to support a violent revolution in behalf of the Third International. It undoubtedly played some role in gaining the Conservatives their largest majority in many years, 412 out of 615 seats.

Thus began a Conservative government which was in office under Baldwin for five years. Winston Churchill as chancellor of the Exchequer carried out the stabilization policy which put England on the gold standard with the pound sterling at the prewar rate of parity. As we have indicated in Chapter 7, this policy of deflation drove Britain into an economic depression and a period of labor conflict, and the policy was so bungled in its execution that Britain was doomed to semi-depression for almost a decade, was in financial subjection to France until September 1931, and was driven closer to domestic rebellion than she had been at any time since the Chartist movement of 1848. The recognition of Russia and the trade agreement with Russia were abrogated; the import duties were restored; and the income tax was lowered (although the inheritance tax was raised). As deficits grew, they were made up by a series of raids on available special funds. The chief domestic event of the period was the General Strike of May 3-12, 1926.

The General Strike developed from a strike in the coal mines and from the determination of both sides to bring the class struggle to a showdown. The British mines were in bad condition because of the nature of the coal deposits and because of mismanagement which left them with inadequate and obsolete technological equipment. Most of them were high-cost producers compared to the mines of northern France and western Germany. The deflation resulting from the effort to stabilize the pound hit the mines with special impact, since prices could be cut only if costs were cut first, an action which meant, for the mines above all, cutting of wages. The loss of the export trade resulting from Germany's efforts to pay reparations in coal, and especially the return of the Ruhr mines to full production after the French evacuation of that area in 1924 made the mines the natural focal point for labor troubles in England.

The mines had been under government control during the war. After that conflict ended, many Liberals, Labourites, and the miners themselves wanted nationalization. This attitude was reflected in the report of a royal commission under Lord Sankey which recommended nationalization and higher wages. The government gave the latter but refused the former (1919). In 1921, when government control ended, the owners

demanded longer hours and reduced wages. The miners refused, went out on strike for three months (March-June 1921), and won a promise of a government subsidy to raise wages in the worse-paid districts. In 1925, as a result of stabilization, the owners announced new wage cuts. Because the miners objected, the government appointed a new royal commission under Sir Herbert Samuel. This group condemned the subsidy and recommended closing down high-cost mines, selling output collectively, and cutting wages while leaving hours of work the same. Since owners, government, and labor were all willing to force a showdown, the affair drifted into a crisis when the government invoked the Emergency Powers Act of 1920 and the Trades Union Congress answered with an order for a General Strike.

In the General Strike all union labor went out. Upper- and middle-class volunteers sought to keep utilities and other essential economic activities functioning. The government issued its own news bulletin (The British Gazette under Churchill), used the British Broadcasting Corporation to attack the unions, and had their side supported by the only available newspaper, the anti-union Daily Mail, which was printed in Paris and flown over.

The Trades Union Congress had no real heart in the strike, and soon ended it, leaving the striking miners to shift for themselves. The miners stayed out for six months, and then began to drift back to work to escape starvation. They were thoroughly beaten, with the result that many left England. The population of the worst-hit area, South Wales, fell by 250,000 in three years.

Among the results of the failure of the General Strike, two events must be mentioned. The Trades Dispute Act of 1927 forbade sympathy strikes, restricted picketing, prohibited state employees from affiliating with other workers, restored the Taff Vale decision, and changed the basis for collection of labor-union political funds from those who did not refuse to contribute to those who specifically agreed to contribute. The Trades Union Congress, disillusioned with economic weapons of class conflict, discarded the strike from its arsenal, and concentrated its attention on political weapons. In the economic field it became increasingly conservative and began to negotiate with the leaders of industry, like Lord Melchett of Imperial Chemical Industries, on methods by which capital and labor might cooperate to mulct consumers. A National Industrial Council, consisting of the Trades Union Congress, the Federation of British Industries, and the National Conference of Employers, was set up as the instrument of this cooperation.

The last three years of the Conservative government were marked by the creation of a national system of electric-power distribution and of a government-owned monopoly over radio (1926), the extension of the electoral franchise to women between twenty-one and thirty years of age (1928), the Road Transport Act, and the Local Government Act (1929). In these later years the government became increasingly unpopular because of a number of arbitrary acts by the police. As a result, the general election of 1929 was almost a repetition of that of 1923: the Conservatives fell to 260 seats; Labour, with 288 seats, was the largest party but lacked a majority; and the Liberals, with 59 seats, held the

balance of power. As in 1923, the Liberals threw their support to Labour, bringing to office the second MacDonald government.

The MacDonald government of 1929-1931 was even less radical than that of 1924. The Labour members were unfriendly to their Liberal supporters and were divided among themselves so that there was petty bickering even within the Cabinet. The Liberal members were more progressive than Labour, and became impatient with Labour's conservative policies. Snowden, as chancellor of the Exchequer, kept the import duties and raised other taxes, including the income tax. Since this was not sufficient to balance the budget, he borrowed from various separate funds and moved forward the date on which income-tax was due.

The Lord Privy Seal, J. H. Thomas, a railroad union leader, was made head of a group seeking a solution to the problem of unemployment. After a few months the task was given up, and he was made secretary of state for the Dominions. This failure appeared worse because both the Liberals and Sir Oswald Mosley (then of the Labour Party) had worked out detailed plans based on public-works projects. Unemployment benefits were increased, with the result that the Insurance Fund had to be replenished by loans. The Coal Mines Act (1930) set up a joint-selling agency, established a subsidy for coal exports and a national wage board for the mines, but left hours of work at seven and a half a day instead of the older seven.

The House of Lords refused to accept an Electoral Reform bill, an Agricultural Land Utilization bill, and Sir Charles Trevelyan's Education bill. The last of these provided free secondary education and raised the school-leaving age to fifteen years; but the Labour government was not insistent on these bills, and Trevelyan resigned in protest at its dilatory attitude. An Agricultural Marketing bill, which benefitted the landed group in the House of Lords and raised food prices to the consumer, was passed. Throughout these efforts at legislation it was clear that the Labour Party had difficulty controlling its own members, and the Labour protest vote on most divisions in Commons was quite large.

The problem of the growing budgetary deficit was complicated in 1931 by the export of gold. The National Confederation of Employers and the Federation of British Industries agreed in prescribing wage cuts of one-third. On February 11th a committee under Sir George May, set up on a Liberal motion, brought in its report. It recommended cuts in government expenditures of £96 million, two-thirds to come from unemployment benefits and one-third from employees' wages. This was rejected by the Trades Union Congress and by a majority of the Cabinet.

In June the Macmillan Committee, after two years' study, reported that the whole financial structure of England was unsound and should be remedied by a managed currency, controlled by the Bank of England. Instead of making efforts in any consistent direction, MacDonald, unknown to any of his Cabinet except Snowden and Thomas, resigned but secretly agreed to continue as prime minister supported by the Conservatives and whichever Labour and Liberal members he could get. Throughout the crisis MacDonald consulted with the leaders of the other two parties but not with his own, and

he announced the formation of the National government at the same Cabinet meeting at which he told the ministers that they had resigned.

The National government had a Cabinet of ten members, of which four were Labour, four Conservative, and two Liberal. The non-Cabinet ministers were Conservative or Liberal. This Cabinet had the support of 243 Conservatives, 52 Liberals, and 12 Labour, and had in opposition 242 Labour and 9 Independents. Only thirteen Labour M.P.'s followed MacDonald, and they were soon expelled from the party.

This crisis was of great significance because it revealed the incapacity of the Labour Party and the power of the bankers. The Labour Party throughout was wracked by petty personal bickering. Its chief members had no understanding of economics. Snowden, the "economic expert" of the Cabinet, had financial views about the same as those of Montagu Norman of the Bank of England. There was no agreed party program except the remote and unrealistic one of "nationalization of industry," and this program was bound to be regarded with mixed enthusiasm by a party whose very structure was based on trade unionism.

As for the bankers they were in control throughout the crisis. While publicly they insisted on a balanced budget, privately they refused to accept balancing by taxation and insisted on balancing by cuts in relief payments. Working in close cooperation with American bankers and Conservative leaders, they were in a position to overthrow any government which was not willing to crush them completely. While they refused cooperation to the Labour government on August 23rd, they were able to obtain a loan of £80 million from the United States and France for the National government when it was only four days old. Although they would not allow the Labour government to tamper with the gold standard in August, they permitted the National government to abandon it in September with bank rates at 4 ½ percent.

The National government at once attacked the financial crisis with a typical barbers' weapon: deflation. It offered a budget including higher taxes and drastic cuts in unemployment benefits and public salaries. Riots, protests, and mutiny in the navy were the results. These forced Britain off gold on September 21st. A general election was called for October 27th. It was bitterly fought, with MacDonald and Snowden attacking Labour while Conservatives and Liberals fought on the issue of a tariff. Snowden called the Labour Party "Bolshevism run mad." He was later rewarded with a peerage. The government used all the powerful methods of publicity it controlled, including the B.B.C., in a fashion considerably less than fair, while Labour had few avenues of publicity, and was financially weak from the depression and the Trades Disputes Act of 1927. The result was an overwhelming government victory with 458 members supporting it and only 56 in opposition.

The National government lasted four years. Its chief domestic accomplishment was the ending of free trade and the construction of a cartelized economy behind the new trade barriers. The construction of cartels, the revival of the export trade, and the continuance of low food prices gave a mild economic boom, especially in housing. The

ending of free trade split the Liberal Party into a government group (under Sir John Simon) and an opposition group (under Sir Herbert Samuel and Sir Archibald Sinclair). This gave three Liberal splinters, for Lloyd George had never supported the government.

The domestic program of the National government was such as to encourage a cartelized economic system, and to curtail the personal freedom of individuals. On this, there was no real protest, for the Labour opposition had a program which, in fact if not in theory, tended in the same direction.

A national system of unemployment insurance was set up in 1933. It required the insurance fund to be kept solvent by varying contributions with needs. With it was a relief program, including a means test, which applied to those not eligible for unemployment insurance. It placed most of the burden on local governments but put all the control in a centralized Unemployment Assistance Board. Unemployed youth were sent to training centers. All educational reform was curtailed, and the project to raise the school-leaving age from fifteen to sixteen was abandoned.

The London Passenger Transport Act of 1933, like the Act creating the B.B.C. seven years earlier, showed that the Conservatives had no real objection to nationalization of public utilities. All the transportation system of the London area, except the railroads, was consolidated under the control of a public corporation. Private owners were bought out by generous exchange of securities, and a governing board was set up of trustees representing various interests.

The Agricultural Marketing Act of 1931, as modified in 1933, provided centralized control of the distribution of certain crops with minimum prices and government subsidies.

The police of London, with jurisdiction over one-sixth the population of England, were reorganized in 1933 to destroy their obvious sympathy with the working classes. This was done by restricting all ranks above inspector to persons with an upper-class education, by training them in a newly created police college, and by forbidding them to join the Police Federation (a kind of union). The results of this were immediately apparent in the contrast between the leniency of the police attitude toward Sir Oswald Mosley's British Union of Fascists (which beat up British subjects with relative impunity) and the violence of police action toward even peaceful anti-Fascist activities. This tolerant attitude toward Fascism was reflected in both the radio and the cinema.

A severe Incitement to Disaffection Act in 1934 threatened to destroy many of the personal guarantees built up over the centuries by making police search of homes less restricted and by making the simple possession of material likely to disaffect the armed forces a crime. It was passed after severe criticism and a Lords' debate which continued until 4:00 A. M. For the first time in three generations, personal freedom and civil rights were restricted in time of peace. This was done by new laws, by the use of old laws like the Official Secrets Acts, and by such ominous innovations as "voluntary" censorship of the press and by judicial extension of the scope of the libel laws. This development

reached its most dangerous stage with the Prevention of Violence Act of 1939, which empowers a secretary of state to arrest without warrant and to deport without trial any person, even a British subject, who has not been ordinarily resident in England, if he believes such a person is concerned in the preparation or instigation of acts of violence or is harboring persons so concerned. Fortunately, these new strictions were administered with a certain residue of the old English good-humored tolerances, and were, for political reasons, rarely applied to any persons with strong trade-union support.

The reactionary tendencies of the National government were most evident in its fiscal policies. For these, Neville Chamberlain was chiefly responsible. For the first time in almost a century, there was an increase in the proportion of the total tax paid by the working classes. For the first time since the repeal of the corn laws in 1846, there was a tax on food. For the first time in two generations, there was a reversal in the trend toward more education for the people. The budget was kept balanced, but at a considerable price in human suffering and in wastage of Britain's irreplaceable human resources. By 1939 in the so-called "depressed areas" of Scotland, of South Wales, and of the northeast coast, hundreds of thousands had been unemployed for years, and, as the Pilgrim Fund pointed out, had had their moral fiber completely destroyed by years of living on an inadequate dole. The capitalists of these areas were supported either by government subsidy (as the Runciman family lined their pockets from shipping subsidies) or were bought out by cartels and trade associations from funds assessed on the more active members of the industry (as was done in coal mining, steel, cement, shipbuilding, and so on).

The Derating Act of 1929 of Neville Chamberlain exempted industry from payment of three-quarters of its taxes under certain conditions. In the period 1930-1937 this saved industry £170 million, while many unemployed were allowed to starve. This law was worth about £200,000 a year to Imperial Chemical Industries. On the other hand Chamberlain, as chancellor of the Exchequer, insisted on those appropriations for the air force which ultimately made it possible for the RAF to overcome Göring's attack in the Battle of Britain in 1940.

The General Election of 1935, which gave the Conservatives ten more years in office, was the most shameful of modern times. It was perfectly clear that the English people were wholeheartedly for collective security. In the period November 1934 to June 1935, the League of Nations Union cooperated with other organizations to hold a "Peace Ballot." Five questions were asked, of which the most important were the first (Should Britain remain in the League?) and the fifth (Should Britain use economic or military sanctions against aggressors?). On the first question the answers gave 11,090,387 affirmative and 355,883 negative votes. On the use of economic sanctions, the vote was 10,027,608 affirmative and 635,074 negative. On the use of military sanctions, the vote was 6,784,368 affirmative and 2,31,981 negative.

To add to this, a by-election at East Fulham in the spring of 1935 saw a Labour supporter of collective security defeat a Conservative. The Conservatives resolved to fight a General Election in support of collective security. Baldwin replaced MacDonald as prime minister, and Samuel Hoare replaced the Liberal, Sir John Simon, at the Foreign

Office, to make people believe that the past program of appeasement would be reversed. In September, Hoare made a vigorous speech at Geneva in which he pledged Britain's support of collective security to stop the Italian aggression against Ethiopia. The public did not know that he had stopped off in Paris en route to Geneva to arrange a secret deal by which Italy would be given two-thirds of Ethiopia.

The Royal Jubilee was used during the spring of 1935 to build up popular enthusiasm for the Conservative cause. Late in October, a week before the local elections on which Labour had already spent most of its available funds, the Conservatives announced a General Election for November 14th, and asked a popular mandate to support collective security and rearmament. The Labour Party was left without either an issue or funds to support it, and in addition was split on the issue of pacifism, the party leaders in both Lords and Commons refusing to go along with the rest of the party on the issue of rearmament as a support for collective security.

In the election the government lost 83 seats, but the Conservatives still had a majority, with 387 seats to Labour's 154. The Liberal Party was reduced from 34 to 21. This new government was in office for ten years, and had its attention devoted, almost exclusively to foreign affairs. In these, until 1940 as we shall see, it showed the same incapacity and the same bias it had been revealing in its domestic program.

Part Eleven—Changing Economic Patterns

Chapter 31—Introduction

An economic system does not have to be expansive—that is, constantly increasing its production of wealth—and it might well be possible for people to be completely happy in a non-expansive economic system if they were accustomed to it. In the twentieth century, however, the people of our culture have been living under expansive conditions for generations. Their minds are psychologically adjusted to expansion, and they feel deeply frustrated unless they are better off each year than they were the preceding year. The economic system itself has become organized for expansion, and if it does not expand it tends to collapse.

The basic reason for this maladjustment is that investment has become an essential part of the system, and if investment falls off, consumers have insufficient incomes to buy the consumers' goods which are being produced in another part of the system because part of the flow of purchasing power created by the production of goods was diverted from purchasing the goods it had produced into savings, and all the goods produced could not be sold until those savings came back into the market by being invested. In the system as a whole, everyone sought to improve his own position in the short run, but this jeopardized the functioning of the system in the long run. The contrast here is not merely between the individual and the system, but also between the long run and the short run.

The Harmony of Interests