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CAN WE WIN THE PEACE ?

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CAN WE
WIN THE PEACE?

BY
PAUL EINZIG

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PREFACE

THIS book is an attempt at a realistic interpretation of the Atlantic Charter. My object in writing it was to try to conciliate the assurances given by Allied statesmen to enemy nations with the all-important requirements of safeguards against aggression after this war.

It is my contention that the prolonged military occupation of Germany and her unilateral military disarmament would not in themselves provide these vital safeguards. Military occupation is apt to be terminated prematurely as a result of unwarranted optimism about the change in the character of the German people. And the experience of 1933-39 conclusively proves that an efficient nation under ruthless leadership is in a position to rearm in a very brief space of time. In order to prevent a repetition of that experience, it is necessary to supplement military occupation and military disarmament with economic disarmament, by which Germany would be deprived of the means for rearming in a relatively brief space of time.

My last book contained a very brief outline of a scheme for the economic disarmament of Germany. The present book was written in response to many requests to produce a more detailed scheme. Already in the original scheme I endeavoured to conciliate the requirements of security with the desire, widespread among the British people notwithstanding its sufferings through German aggression, that the German people should not be unduly penalised through a reduction in its standard of living. In the present volume I lay more stress on this aspect of the scheme, partly because in the meantime undertakings to the effect of safeguarding German prosperity have been given by the Allied statesmen, and partly because I have realised the importance attached to it by a large section of British opinion.

British people are very bad haters. This quality of the British character is beyond doubt admirable. It is largely responsible for that degree of respect for human right that

is entirely unique even among the democratic peoples. It does not help, however, to win the war or to win the peace. More hatred of the enemy would go a long way to stimulate the war effort in every direction. And a little less capacity and will to see the other peoples' point of view would greatly simplify the task of providing a watertight system of security after the war through the application of an uncompromising clear-cut solution. The chances are that after the termination of hostilities even the moderate degree of hatred that exists now will soon evaporate, and that a large section of the British public will demand peace terms which would enable the German people to prosper.

This being so, any logically ruthless scheme for safeguarding peace after this war would be doomed to rejection by the British people. There is a very real danger that appeasement will prevail, and that the next peace will be lost in the same way as the last peace was, unless an intermediate formula can be presented to the British people, under which the vital interests of the German people are safeguarded without thereby jeopardising the security of Europe. The proposals contained in this book claim to constitute that intermediate formula.

At the time of writing, the military situation of the Allies is very gloomy, and it seems unfortunately probable that by the time this book appears the situation and outlook will deteriorate further. If so, then many people might question the timeliness of a book dealing with peace terms in case of British and Allied victory. It seems to me, however, that amidst adverse conditions it is more important than ever to try to convince British opinion that it is possible to win the peace once the war is won. For if the thesis of the appeasers, that even in case of victory Germany must be allowed to retain some of the fruits of her aggression, is widely accepted for lack of alternative proposals, then amidst adverse conditions there might be a strong temptation to accept a peace of compromise with the undefeated foe. We must try, therefore, to prove the possibility of producing a scheme which, while unacceptable to

undefeated Germany, would nevertheless give a fair deal to the German people after it has been defeated and has adopted a less bellicose régime.

While attempting to put forward such a scheme, I do not seek to conceal my conviction that I would much prefer a clear-cut solution under which the interests of the German people would be entirely subordinated to the requirements of security. I had to allow, however, for the necessity of making the scheme palatable to the millions of sentimental humanitarians who would be opposed to a water-tight scheme of safeguards if its application inflicted penalties, however well deserved, on the German people as distinct from its leaders. For this reason the scheme I advocate in this volume cannot claim to be ideal. It seeks to combine, however, the maximum degree of safeguards of peace with the minimum degree of interference with the prosperity of the German people. Under it the German people would be treated with far more consideration than they deserve. Should, as a result of the prolongation of the war and of a series of fresh war crimes, the Germans succeed in arousing the uncompromising wrath of our Allies, and even of the majority of the British people, the terms imposed on them after their defeat are certain to be much harsher, however, than anything I advocate in this book.

Throughout the book I purposely refrain from taking into account the influence of Soviet Russia on the peace terms. This is partly because the relative extent to which the peace terms will be influenced by Moscow cannot be foreseen at this stage, and partly because I do not flatter myself that anything I can possibly say could in the least influence the attitude of the Kremlin. For this reason I preferred to address myself exclusively to Anglo-Saxon opinion.

P. E.

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CHAPTER I

THE ATLANTIC CHARTER : AN INTERPRETATION

EVER since the joint declaration of President Roosevelt and Mr. Churchill was issued in August 1941, the meaning of the principles it embodies has been the centre of heated controversy. The text of the statement has been subjected to close scrutiny and has given rise to an immense variety of interpretations. This is not surprising. The principles laid down in the Atlantic Charter have been kept deliberately vague and there is ample scope for their interpretation. Moreover, the eight brief points contain something to everyone's taste. It includes points which can be seized upon triumphantly by Free Traders, but also at least one point which economic planners can present as a victory for their ideas. The first seven points should rejoice the hearts of appeasers, since they rule out territorial changes without the consent of the peoples concerned ; promise to the vanquished access to raw materials on equal terms ; and foreshadow freedom from want for all nations. On the other hand, the concluding clause is calculated to satisfy opponents of appeasement, in that it declares the unilateral disarmament of aggressor nations to be one of the war aims of the Allies. Everybody is thus in a position to lay the emphasis on the clause which suits his political philosophy.

Evidently, the statesmen who negotiated the Atlantic Charter were reluctant to commit themselves to precise terms. It is doubtful whether they would have been able to agree on exact peace aims. In order to achieve agreement, it was necessary for them to confine themselves to broad principles acceptable to most people.

The Atlantic Charter appears to be a compromise between the realism of Mr. Churchill and the idealism of Mr. Cordell Hull, with President Roosevelt holding the balance between them. According to an article entitled " The American View ", in the December 1941 issue of *The*

Banker, by an evidently well-informed contributor recently in the United States, there was, at the time of the negotiations of the Atlantic Charter, a sharp discrepancy between the British and American views on several clauses. In particular, Clause VIII, providing for the disarmament of the aggressor nations, meant for Mr. Churchill their unilateral disarmament for a long time; according to the American interpretation, on the other hand, it meant a transitory measure, to be followed shortly by universal disarmament. Considering that Article VIII is the only clause that saves the Atlantic Charter from being a total triumph for appeasers, it is of the utmost importance to know whether even this clause is likely to be reduced to insignificance through being treated as a transitory measure.

To be able to answer this question, it is necessary to call attention to the circumstances in which the Atlantic Charter was negotiated, and to the change which has taken place since its conclusion. One of the many objects of the Atlantic Charter was to strengthen interventionists in America, both against isolationists and in face of dissent among their own ranks. A large section of interventionists insisted on stipulating lenient peace terms in favour of Germany. Owing to the great distance which separated the United States from the scene of hostilities, these people thought that they could afford to be generous even to the detriment of security, just as after the last war a large section of the British public believed that the Allies should be more generous to Germany than France, more directly exposed to the German menace, was prepared to be. Now we know better. So does the United States since December 8, 1941. Americans are no longer in a position to deliver detached judgment in a dispute with which they are not directly concerned. They have become interested parties as a result of the Japanese aggression. The attack on Pearl Harbour made it plainer than any argument could possibly have done that no nation, however distant geographically, can afford to be generous at the expense of its security.

It seems reasonable to suppose, therefore, that the American interpretation of Article VIII is now considerably

nearer to that of Mr. Churchill than it was at the time of the negotiation of the Atlantic Conference. Fortunately, the Charter did not commit its signatories to any definition of Article VIII and the hands of its signatories are free, both regarding the period which unilateral disarmament of aggressors is to cover and the actual meaning of the word disarmament. It is even open to argument to what extent the Atlantic Charter is binding as a statement of general principles. It is not a contract but a unilateral declaration. Had Germany declared immediately her willingness to conclude peace on the basis of its principles, the Allies would have been under a strong moral obligation to consider themselves bound by those principles, though even then there would have been ample scope for interpretation. Had the United States entered the war as a result of the conclusion of the Atlantic Charter on the condition that its terms should serve as a basis for Allied peace aims, then those terms would have been binding for Great Britain. Since, however, Germany scornfully rejected the Atlantic Charter, and the United States became a belligerent simply because she was attacked, the Allies are under no legal or moral obligation to abide by the Atlantic Charter. They are free to determine peace terms according to their interests.

Nevertheless, the basic principles stated in the Atlantic Charter will be respected by the Allies at the peace conference, not merely because they were included in the Atlantic Charter, but because even in the absence of any commitment they are in accordance with the fundamental character of the British and American peoples. It is safe to assume that the Allies would not aim at the annihilation of the German people, even if no undertaking to that effect had been implied in Articles I, II and III of the Atlantic Charter. Anybody acquainted with the mentality of the Anglo-Saxon peoples must realise that it will not be their policy to follow after the war the German example in Poland, by aiming at the extermination of their defeated foe. It is equally evident from Articles IV, V and VI that the Allies mean to let Germany share in the world-wide

prosperity which they hope to establish after the war. This again is in accordance with the Anglo-Saxon outlook on life, and especially with the Free Trade mentality of the British nation, by which the prosperity of other nations is considered to be an essential condition of British prosperity.

On the other hand, it is equally certain that the disarmament of Germany will be one of the indispensable conditions of the peace treaty. The question is : How will the term "disarmament" be interpreted? Will it be interpreted in the narrow military sense, or will it include economic disarmament? It is the main object of this book to prove that military disarmament without economic disarmament will not provide the world with adequate safeguards against aggression. For unless the aggressors are disarmed economically they will be able to rearm in a military sense within a brief space of time, as Hitler did between 1933 and 1939.

The economic disarmament of Germany is not in conflict with the terms of the Atlantic Charter, so that even if the Allies felt morally bound by those terms—as they rightly or wrongly will—they would be entitled to insist on her economic disarmament. Whether we shall win the peace or not depends largely on whether the Atlantic Charter is interpreted in this sense.

Before we are placed in a position of winning the peace, however, we must first win the war. To that end, too, it is of the utmost importance that the Atlantic Charter should be interpreted in a realistic sense. The German people must be made to realise that they must earn their right to the maximum benefits under the Atlantic Charter. They must be told that by prolonging their whole-hearted support of their present rulers they are apt to forfeit any such rights. Germany's allies must also be made to realise that it would be idle for them to assume that they will fully benefit by the first seven articles of the Atlantic Charter irrespective of the degree of support they will give to Germany.

Even if the contention that the application of the

Atlantic Charter should be conditional upon the future behaviour of the German people is not accepted, there remains a wide scope for interpreting the Eight Points in a sense enabling the Allies to elaborate peace terms in accordance with the requirements of security. It would be a historic disaster of unparalleled magnitude if through a faulty interpretation of the Atlantic Charter the safeguards of security were sacrificed.

CHAPTER II

HARD PEACE OR SOFT PEACE ?

EVER since the early months of the war, there has been a strong and persistent movement in favour of the definition of Great Britain's peace aims. In Parliament the Government was frequently pressed to state the principles of its peace aims, and after the publication of the Atlantic Charter this pressure assumed the form of agitation in favour of a clearer definition of its details. Both before and after the publication of the Atlantic Charter, however, the Government showed itself utterly reluctant to commit itself.

There has been no such reticence on the part of individuals unhampered by official position. Indeed, we have witnessed a flood of literature on the question of peace aims. It is no exaggeration to say that for each book suggesting methods on how to win the war there have been at least four or five books claiming to teach the world how to win the peace. And since books are not published as a rule into a vacuum, it is reasonable to assume that there is more demand for peace books than for war books. This is easily understandable: it is one of the innumerable manifestations of escapism that characterises war mentality. It is ever so much more pleasant to write or read about the distant problems of peace than about the immediate problems of war, especially as most writers on peace manage to produce schemes for very attractive Utopias. From the point of view of authors too, it is much safer to make long-range prophecies than to deal with immediate problems.

It would be unfair both to writers and readers of peace literature to attribute the existence of peace-aim books to such shallow reasons. Fundamentally everybody is aware by now that the last peace was a bad peace. The public was told so on innumerable occasions for twenty years by vigorous anti-Versailles propaganda, and even those who did not come under the influence of this propaganda were

bound to admit, on the outbreak of this war, that something must have been wrong with a peace treaty which could not secure peace for more than two decades. They recalled that the Treaty of Vienna following the Napoleonic wars, bad as it was, was followed by a century of comparative peace, during which none of the wars assumed the dimension of a European war.

Human nature being what it is, every peace planner thinks that it is his special brand of peace plan that is bound to appeal to the public at home and abroad. Peace planners are all too lavish with promises of victory provided that their ideas are adopted as a basis of official propaganda, and they are all too much inclined to make their readers' flesh creep by warning them of the disastrous consequence of non-compliance with their suggestions. This is by no means the only shortcoming of peace-aim literature. The whole movement has been from the very outset entirely one-sided. So much so that agitation in favour of an official definition of peace aims has come to be regarded as being identical with agitation in favour of treating Germany leniently and generously after her defeat.

The number of writers who came out openly in favour of the opposite course has so far been negligible, and the barrage of attacks directed against Lord Vansittart's "Black Record" is not likely to encourage them to take an active part in the controversy. As a result, the controversy has assumed largely a form of attack by adherents of "soft peace" on principles which are attributed to adherents of "hard peace", but which have hardly ever been stated adequately. Judging by this one-sided trend of peace-aim literature, it would seem as though the predominant majority of the nation were in favour of forgiving and forgetting from the moment of armistice. As a matter of fact, those in a position to feel the pulse of public opinion realise that the attitude of the public is very far from being so one-sided. Nevertheless, it is beyond doubt that a very large section of certain classes of the public endorses the agitation of a "soft peace" school, especially since the other side of the picture is hardly ever presented to them.

The supporters of the movement in favour of lenient peace terms to Germany may be classed into several categories. In the first place, there is the sentimentalist school : it consists of people who hate the idea of inflicting punishment, no matter how well deserved and no matter how necessary it may be to prevent a recurrence of the offence. In internal affairs, people belonging to this class are opposed to capital punishment of murderers, or corporal punishment of those guilty of robbery with violence. Many of them are opposed to the imprisonment of criminals, or at any rate are in favour of the reform of prisons to such an extent as to reduce their deterrent effect on a large number of potential criminals. In international affairs they always support the under-dog of the moment, even if it was he who started the fight originally, and even if, during the early phases while he happened to be top-dog, he showed no mercy for the victims of his unprovoked aggression. They are all for forgiving the Germans, individually or collectively, for any crimes committed against the British people and mankind.

Indeed, on the assumption that sooner or later Germany will become the under-dog, they are already prepared to forgive in advance all offences to be committed in the meantime. They shower tokens of kindness on German airmen brought down after just having machine-gunned women and children. They are ready to forget any atrocities from the moment hostilities come to an end, not because they think it is a wise policy, but because it is in accordance with their emotional make-up. A very large proportion of British people belong to this unreasoning sentimentalist school. Their percentage declines from time to time, after a particularly brutal air raid or other atrocity, but not for long. British people are very bad haters, and if a few months or even a few weeks pass without any new and particularly revolting act of atrocity the number of adherents to the sentimentalist school tends to rise rapidly.

The sentimentalist school provides excellent raw material for appeasement. Being fundamentally in favour of letting off the German people even in the absence of any argument in favour of that course, they readily absorb any argument

that claims to prove that their instinct is right. They accept or invent arguments the weakness of which would be obvious to them but for their sentimental bias. Many spokesmen and the majority of the rank and file of the various schools of appeasement are simply sentimentalists who succeed in convincing themselves, or allow themselves to be convinced by others, that reason is on their side, and that the policy of "forgive and forget" is favoured by their heads as well as by their hearts.

A somewhat more rational group of opponents to harsh treatment of Germany includes those who are inclined to judge others by themselves. While the sentimentalist pure and simple wants to be kind to Germany without regard to whether his kindness receives its due reward in this world, this group of appeasers fully expects to be rewarded for its kindness in the form of reciprocity. Its adherents assume that the Germans are fundamentally as kind and humane as British people, and that if only they are treated kindly they are bound to respond accordingly. This school denies the existence of any inherent racial qualities. It refuses to believe that there can be qualities which would make one nation more aggressive, more bellicose and more cruel than another. They ascribe all acts of aggression and all atrocities committed by the Germans since the coming of Hitler to the unfortunate but natural result of the "harsh" treatment inflicted on Germany by the Treaty of Versailles. They are convinced that a generous peace treaty would eliminate the evil influences that induced the German nation to become intolerant, aggressive and brutal.

But are the fundamental characteristics of all races identical? Is it really only surface influences that make certain tribes in Africa and certain nations in Europe tolerant and peace-loving and other tribes and nations savage or bellicose? Is it not more in accordance with historical facts that in many instances nations whose strength has been sapped by defeat and harsh treatment by ruthless victors tend to become peace-loving, while the victors who suffered no wrong tend to become more domineering? The peace treaties of 1864, 1866 and of 1871

were dictated by victorious Germany. They certainly did not inflict any hardship or injustice on Germany that would have justified or even explained the aggressive spirit culminating in the war of 1914-18 and the series of atrocities committed by the German armed forces during that war. Even if the Treaty of Versailles had wronged the Germans to the extent it is claimed to have done by anti-Versailles propaganda, by 1939 practically all grievances were eliminated, and Germany was stronger than she had been twenty-five years before. Indeed it is an incontestable fact that the aggressive spirit and intolerance in Germany increased as and when the disabilities imposed on her by the peace treaties were removed. Nor is it possible to argue that this was because Germany had herself unilaterally taken action to gain freedom from the bondage imposed on her by Versailles. After all, the two most burdensome clauses of the Treaty of Versailles, the military occupation of the Rhineland and the imposition of vast reparations, were relinquished by the Allies of their own free will and without any pressure on the part of Germany or threat of aggression. It was after the evacuation of the Rhineland that the Nazi Party developed from one of the numerous freak parties into a formidable factor in German politics, and it was after the scrapping of her reparations that Hitler came to power.

Those who believe in the inherent kindness of the German character argue that the concessions came too late and were made too reluctantly even before the advent of Hitler, and by 1933 the German people lost their patience. There can be several answers to this argument. Firstly, an inherently kindly people would have appreciated concessions which indicated a trend in the right direction. Secondly, the fact pointed out above, that aggressive nationalism increased in Germany as and when the liquidation of the Versailles system proceeded, is not easy to conciliate with the theory of the inherent kindness of the German character. Finally, even in 1919 the hardship imposed on Germany was far from intolerable. By 1933 this hardship was moderate and by 1939 virtually non-

existent. The British public accepted almost entirely without reserve the anti-Versailles propaganda pouring out of Germany even under the moderate Weimar Republic. Had it not been for the typical British bias in favour of the under-dog, the denunciation of the Versailles Treaty as the most wicked and cruel document man ever devised would have been subjected to a closer scrutiny. Now that we are in a position to compare its terms with those imposed by Germany on the nations she conquered during the last three years, we cannot help being struck by the extreme moderation of the statesmen at Versailles.

In 1919 Germany lay prostrate before the victorious Allies, who were in a strong enough position to impose on her any terms they chose. They were, moreover, embittered by four years of war for which Germany was responsible, and during the course of which she systematically violated all clauses of international conventions and all rules of human decency. And yet it did not occur to anyone, not even to fire-eaters such as Clemenceau, Poincaré or Foch, to question Germany's right to exist as a large and independent State. Never during the peace conference was there any question of subjecting her to permanent or even temporary full military control, beyond the temporary occupation of the Rhineland. Proposals concerning the dismemberment of the Reich into its component States or the establishment of a permanent buffer State in the Rhineland, or fixing the Franco-German frontier on the left bank of the Rhine with French bridgeheads on the right bank, were brushed aside by the statesmen of Versailles. In 1939-41 Germany simply annexed defeated countries with a nearly 100 per cent non-German population, countries which have never done her any harm. In 1919 the Allies merely lopped off Germany some 5 per cent of her territory (not counting Alsace-Lorraine, the restoration of which provinces to France was merely an act righting a previous wrong) inhabited mainly by non-German populations.

One of the main sources of agitation against the injustices committed at Versailles was the establishment of the Polish

Corridor ; yet this act was fully justified on historical, economic and ethnological grounds. The military occupation of the Rhineland and France's political control over the Saar district were temporary measures and were discontinued long before this had to be done under the Treaty. As far as reparations were concerned, on paper they appeared enormous, but in practice Germany lost no part of her national wealth as a result of reparations. She simply borrowed from abroad the amounts paid, and subsequently defaulted on her debts ; she had thus escaped the justified reparations inflicted on her by the Treaty of Versailles. On the other hand, Germany ruthlessly plunders the nations she defeated and is collecting money from them with scientific thoroughness, presumably as a " reparation " of the wrong inflicted on them by her.

In result, if not in intention, the statesmen of Versailles treated Germany very generously. This may not have appeared so at the time, but in recent years we have learnt from Germany what harsh treatment of defeated nations really means. If the treatment of the Dutch nation, for instance, by their German conquerors be regarded as 100 per cent wicked and infamous, then Versailles must be regarded, relatively speaking, as at least 95 per cent fair and generous. If instead of Holland we take Poland as the basis of comparison, then the relative fairness of German treatment under the system of Versailles is at least 99 per cent.

In the light of the experience of the unfortunate countries which came under German domination during recent years, it is justifiable to arrive at the conclusion that kindness towards Germany was tried at Versailles and failed completely.

Another explanation of the prevalence of the spirit of appeasement among peace planners is that many people in this country are anxious to shield certain categories of Germans with whom they are, for some reason, in sympathy. For the sake of shielding their German fellow Socialists or German fellow members of the Upper Ten, or their German co-religionists, etc. etc., many people are in favour of

granting defeated Germany lenient peace terms. They allow their judgment of what constitute safe terms to be influenced by their sympathy for these various categories of Germans. Many British Socialists are opposed to inflicting any hardship on the German nation because that would mean hardship on German Socialists. They recall in support of their argument that even at the election of 1933 so many millions of Germans voted for Socialists. They forget, however, that soon after that election the predominant majority of these same people joined the Nazi Party *en bloc*, and that it was only those who were too gravely compromised to be admissible who remained faithful to Socialism.

The 4th, 5th, 6th and *n*th Internationals are largely responsible for the prevalent attitude of appeasement in this country. The International of aristocrats, big business men, certain churches, etc., does not exist in form but it does exist in substance. This explains why some bearers of historical names are among the appeasers ; why leading bankers and industrialists were appeasers before the war, and why many of these people are at the present time in favour of lenient peace terms for Germany. Some of them would not like to see Germany seriously weakened as a result of the war, for fear that it would mean the strengthening of the trend towards Socialism. In particular, since Russia became our ally, they are almost afraid of victory, because they think it would mean Socialism or even Communism in this country. They would prefer a negotiated peace which would leave the reactionary element in Germany in power ; not necessarily Hitler himself, but " nice " people like Goering and Dr. Schacht and the Reichswehr Generals.

A number of people are in favour of granting Germany generous peace terms simply because of their general sympathy towards Germany. About the historical and psychological reasons for pro-Germanism in Great Britain I must refer the reader to Chapter II of my book *Appeasement Before, During and After the War*. Some people are pro-German because of their deeply-rooted traditional

dislike of France. Others like Germany because they once happened to come across some very nice people during a walking tour in the Black Forest or at Bayreuth. (It is very unfortunate that the number of British travellers who spent their holidays among 100 per cent Prussians is so much smaller than that of tourists who visited the Rhineland or Southern Germany.)

There are also pro-Germans who are suffering from a guilt complex owing to the past misdeeds of their own country. Yet they ought to bear in mind that three centuries have passed between Drogheda and Dachau.

All these various classes of pro-Germans are strongly in favour of letting off Germany as lightly as possible. Indeed, many of them go so far as to be actually afraid of victory, for fear that the victorious Allies might be unkind to defeated Germany. They would much prefer that the war ended in a draw, because Europe would then have a negotiated peace.

It goes without saying that pacifists of all categories are in favour of generous terms to Germany, in the hope that since these terms would appear to be more acceptable to the German people, it would mean an earlier termination of the war. Being devoid of any sense of reality, they are oblivious of the fact that Hitler and the present ruling class would only consider peace in circumstances which would leave Germany in a position to resume the war with every chance of success, and that there is no possibility of removing this ruling class unless and until Germany suffers a decisive defeat.

Two groups of diametrically opposed principles meet in their desire for lenient peace terms. They are the dogmatic internationalist Free Traders and the Imperialist and Isolationist "Blue Water" school. The former are in favour of immediate participation by Germany in the Free Trade arrangements they hope to see established after the war. The latter are in favour of allowing the Germans a free hand on the Continent and concentrating on strengthening Great Britain's sea power. In order to strengthen their case, Free Traders argue that Hitler was not really the cause

of the war, he was merely the effect of trade restrictions. They fail to realise that Germany embarked on four wars within the half-century ended 1914, when she was not suffering from any hardship from trade restrictions. Details of this argument will be developed in a subsequent chapter.

The economic aspects of the "Blue Water" school will be dealt with likewise in detail in a later chapter. Here let it be sufficient to point out that the naval experts who would like to leave the Continent under German control have failed to take the trouble to estimate the enlarged shipbuilding capacity of a Germany left in control of the Continental shipyards and iron ore resources. They do not realise that Germany and her allies in such circumstances would well be in a position to outbuild this country and the United States in a naval armaments race, and the eclipse of British sea power would then be a mere question of years.

CHAPTER III

PEACE AIMS AND THE WAR EFFORT

Is it justifiable for a large section of the public to find time even amidst its preoccupation with immediate problems of war to worry about the more distant problems of the next peace? The agitation in favour of an official definition of peace aims, and their frequent definition by private authors, has given rise to a considerable amount of criticism. Many people hold the view that first things should come first, and that it is incomparably more important to win the war than to conclude a good peace. After all, we are fighting for our survival, and even the worst peace imaginable that could follow our victory would be incomparably better than a defeat.

Beyond doubt there has been a tendency, especially during the early months of the war, on the part of various sectional interests and even on the part of the Government, to think too much in terms of post-war conditions. In innumerable instances, the war effort had to suffer because emergency measures were rejected or postponed for fear of their effects after the war.

Arguments against such an attitude cannot necessarily be applied to discussions of peace aims; unless such discussions take up too much time of members of the Government or even of much lesser people engaged in the war effort they cannot possibly be detrimental to the war effort. It is a sound principle to judge the merits or demerits of peace aims discussions primarily from the point of view of their effect on the war position, and only in the second place from the point of view of their effect on the post-war world. As a matter of fact, one of the main arguments has been all along the contention that the definition of peace aims would help towards victory through its effect on public opinion at home, in Germany, in conquered countries and in neutral countries.

The question is whether the widespread agitation in favour of lenient peace terms to defeated Germany tends to contribute towards victory. To what extent does it affect the war effort in this country, the support of the Allied cause by neutral countries, the support of the Hitler régime by the German people, and the extent of the collaboration or resistance on the part of the conquered races ?

As far as the British public is concerned, it is difficult to believe that the fighting spirit and the economic war effort of the nation tend to gain by the agitation for lenient peace terms. It can hardly make it easier for our soldiers, sailors and airmen to be enthusiastic about their distasteful job of killing Germans if they are told again and again that the victims of their weapons are really decent and fundamentally kind people, and it is only a small number of Nazi leaders—unfortunately well out of the reach of their weapons—who are wicked. Even if it were true, it would be inexpedient to insist too much on it in time of war. Admittedly, the fighting forces would do their duty out of self-defence and to defend their homes. Appeasement propaganda tends, however, to demobilise that degree of hatred which would otherwise intensify their fighting spirit.

As far as industrial workmen in general in this country are concerned, it is a well-known fact that output tends to increase after a particularly destructive air raid on this country. Prolonged industrial disputes were settled on the morning following the air raid on Glasgow and elsewhere. The proportion of working hours lost in shelters when enemy planes were not in the immediate vicinity of the works tends to fall off sharply in areas badly "blitzed". The workmen in such districts are anxious to hit back and do so by increasing their output per head per hour. What is even more significant, there is a tendency towards an increase in output after a particularly heavy raid by the R.A.F. on Germany. There is reason to believe that this consideration has played no slight part in inducing the Government to have Berlin bombed even though the same bombing power could have produced better results elsewhere. Evidently, the news that the R.A.F. hits back

tends to arouse the spirits of the working people to do their bit in the same direction. In the circumstances it is clearly bad policy to demobilise that hatred which tends to increase both the fighting spirit of the forces and the economic war effort of the country.

The point of view of the appeasers is, however, that unless the wave of hatred naturally generated by war is counteracted, the experience of the "Hang the Kaiser" election after the last war would repeat itself and would preclude the possibility of granting Germany lenient peace terms. Even if this were so, it would be clearly unwise, particularly at this stage, to pursue a policy which is detrimental to the war effort, for the sake of preparing public opinion for certain peace terms. After all, our margin of safety in favour of victory is by no means so large as to enable us to sacrifice some of it for the sake of peace planning. At a later stage, when victory would appear to be within a reasonable distance, it might be justifiable to try to demobilise hatred without running any risks. At present, however, this country needs every influence that tends to bring its war effort towards a maximum.

From the point of view of its effect on the neutral countries, appeasement propaganda was short-sighted in the extreme. Those conducting it played into the hands of Isolationists in the U.S.A. during her neutrality, and other pro-German elements in neutral countries. It is difficult to imagine how anyone could expect to induce neutrals to expose themselves to the horrors of modern warfare by telling them that they are to help us to defeat a race which, in spite of the faults of its leaders, is fundamentally decent. It would be interesting to know to what extent the insistence of neutrals on trading with Germany, especially during the early months of the war, was due to such appeasement propaganda.

Neutrals and non-belligerents have strong appeasement movements of their own, even in the absence of support from British appeasers. In the United States before the Japanese aggression, a very large section of the business community was all for an early peace with Germany in

order to resume trade with her and with the rest of Europe. To that end, they supported favourable peace terms which would make the conclusion of an early peace possible. Their influence hampered President Roosevelt's efforts to assist Great Britain and was partly responsible for the inadequate progress of American munition production. It was hardly for this country to reinforce such movements by providing them with additional argument.

By far the most effective weapon in the armoury of British appeasers is the promise they hold out, that if only the Germans are offered acceptable terms, they would cease to support Hitler. The hopes entertained by ill-informed people (both in and out of the Government) that by dropping a few pamphlets over Germany it would be possible to induce the public to overthrow the Hitler régime by attacking the machine-guns of the Reichswehr with bare hands, have fortunately been exploded some time ago. Nevertheless, there is still a great deal of wishful thinking concerning the German attitude towards Hitler and the Nazi régime. Many people, even though they no longer expect to be able to engineer a revolution in Germany by means of political warfare, seriously believe that promises of lenient treatment would induce the German nation to weaken its war effort. Those who argue on such lines simply overlook a fundamental characteristic of human nature in general and of German human nature in particular: namely, to judge others by oneself. The German public is fully aware of what is happening in the conquered countries. While during the last war the Imperial German Government strenuously denied all atrocity reports, during this war the Nazi Government officially admits them and broadcasts them, in order to spell terror among peoples as yet unconquered. The German public is therefore well in a position to know all about the mass executions of civilians, the machine-gunning of refugees and the systematic bombing of Warsaw, Rotterdam, Coventry, etc. Human nature being what it is, they naturally assume that if their present victims should ever gain the upper hand they would inflict on them a punishment corresponding to their degree of

suffering at German hands. They know what Germans would do if, after a period of brutal oppression and defeat, they became victorious, and no amount of pamphleteering or broadcasting could possibly convince them that the Allies would act otherwise. Moreover, twenty years of anti-Versailles propaganda resulted in the deeply ingrained conviction in every German that after the last war the Allies failed to keep their solemn promises, embodied in the Fourteen Points of President Wilson. Close examination of these points reveals the fact that the only real grievance Germany had on that account was the reluctance of the Allies to disarm. For the rest, the Versailles system followed to a remarkably high degree the principles laid down by President Wilson. Nevertheless, this fact is hardly ever appreciated outside Germany, and completely ignored in Germany, where there is now a deeply rooted conviction that British promises of lenient treatment cannot be relied upon. This being so, there is very little chance of influencing the attitude of the German people or of the German Army by making such promises. If such promises were made in binding form, and if these pledges were carried out to the satisfaction of the German people after their defeat or surrender, then, and only then, similar promises made during the course of the next war might conceivably be believed. This might prove quite useful, since, should our appeasers be allowed to have their way, we are certain to be at war with Germany a few years after the end of this war. We are concerned, however, at the moment, with winning this war rather than preparing the ground for effective propaganda in the course of the next war.

In their misguided efforts to make out the strongest possible case in favour of promising sweeping concessions to the German people, appeasers argue that this country cannot possibly defeat Germany unless the German people are persuaded by means of political warfare to relax their support of Hitler. Those who argue on such lines are blissfully unaware of the extent to which they help the enemy by this ill-advised agitation. For their argument amounts to the admission that Germany is invincible unless and until

the Germans themselves choose to allow themselves to be persuaded by British propaganda to abandon their support of Hitler. There is no reason to suppose that Dr. Goebbels and his associates would fail to seize upon the opportunity to cheer their nationals, depressed over the losses in the Russian campaign, by quoting British politicians and writers supporting political warfare as having stated that Germany cannot be defeated unless and until the German people themselves choose to contribute to her defeat.

One of the favourite arguments of appeasers in support of their thesis is that the collapse of France in 1940 was largely due to German propaganda. According to this theory, it was because throughout the "phoney war" that preceded the French collapse German loud-speakers across no-man's-land and German agents in the hinterland repeated to boredom that Germany had no designs against the French people, that French resistance had been undermined. Those who believe this overlook the fact that distrust of Germany had been very deeply ingrained in the mental make-up of the French people. Ever since 1871 the French nation had entertained grave suspicions about Germany's intentions. Even during the early 'twenties, when Germany was disarmed, France was watching her with distrustful eyes from across the Rhine, and whenever there was a Stahlhelm demonstration, the goose-stepping march of German ex-Servicemen aroused gloomy forebodings in the minds of the French people. Is it, then, reasonable to suppose that the very same people who distrusted Germany when she was disarmed and when she had a moderate Government, should suddenly come to the conclusion that, after all, Germany could be trusted? And this at a time when Germany was armed to the teeth and when she was led by a man who had gained notoriety by breaking all promises he had made. Clever as German propaganda methods are, they certainly do not deserve the compliment implied in the assumption that they were capable of bringing about such a fundamental conversion of the French people. The fact of the matter is that French people, or at any rate some of them, chose to believe German

promises in June 1940 simply because France was defeated and at the mercy of the German invaders. They wanted to conclude a peace which would save at least part of France from actual invasion, at a moment when armed resistance in European France at any rate was obviously hopeless. Therefore, they pretended to accept Germany's promises, or at any rate deceived themselves into accepting them. Admittedly a number of influential quislings took a very active part in converting French opinion in favour of surrender, but the attitude of the majority of these quislings was the effect of the military collapse rather than its cause. Apart from a minority, who were working for Germany before and during the war, they simply took a hand in engineering the surrender out of sheer opportunism, after the collapse of French military resistance, because they knew which side their bread was buttered. Beyond doubt in Germany too a large number of people would choose to believe British promises of lenient treatment the moment they realise that Germany has lost the war. The number would increase as and when German military defeat became increasingly obvious. Even at that stage, it may well be asked whether it will be to the interest of the Allies to commit themselves in favour of lenient peace terms for the sake of shortening the war by a few weeks.

The chances are that even in the absence of any onerous promises a large and increasing number of Germans would turn against Hitler's régime the moment they came to the conclusion that it was tottering. The absurdity of agitation for favourable peace terms is clearly shown by the fact that no time limit is attached to the promises. The appeasers want the Government to commit this country in favour of lenient terms, irrespective of whether the Germans would continue to give Hitler their whole-hearted support until the Allied troops had reached the outskirts of Berlin. They fail to realise that by doing so they are actually encouraging support of Hitler, since they minimise the risk attached to it. By adopting a "heads you win, tails you can't lose" attitude, they place Germany in the enviable position of a gambler who stands a chance of pocketing his winnings, if

any, while at the same time he is assured by a fairy god-mother that his losses would be refunded. It stands to reason that being placed in such a position the German nation would take risks more recklessly than it would if it realised that it herself would have to bear the burden of its losses.

There is reason to suspect that appeasers, or at any rate the more intelligent among them, are fully aware that at the present stage there is not the slightest hope of inducing the German people to abandon Hitler as a result of promises of lenient treatment after the war. The reason why, in spite of this, they advocate that course is that they want the Allies to commit themselves in favour of lenient terms, irrespective of whether or not by doing so the outcome or duration of the war would be influenced in our favour. In other words, they want to secure an amnesty for Hitler's fifty-odd-million Prussian accomplices on false pretences.

Let us now examine the possible effect of the policy of appeasement and lenient peace terms on the conquered peoples. This is easily the weakest point in the armoury of appeasers. It is absurd indeed to suggest, as some of them do, that promises to Germany that she will be left strong and powerful even after her defeat would hearten the Poles ; such suggestions are a gross insult to the intelligence of the British public. It is indeed inconceivable that agitation in favour of forgiving and forgetting from the moment of the armistice could possibly produce an effect favourable to the Allied cause among Continental neutrals, or among the subject races. Germany's Continental neighbours know her a great deal better than the predominant majority of Britons can possibly claim to know her. They have even more reason to fear a renewed attempt at their conquest than Great Britain, since they are not surrounded by a protective belt of sea. They are also a great deal better haters than the average Englishman. They have reason to be, since they have suffered a great deal more through German domination. Above all, at present they are under the heel of the Prussian jackboot, which means that their hatred of Germany has reached white heat in consequence

of German oppression and interference with their daily lives, and of the atrocities committed by the occupying armies. It is absurd to imagine that, in such circumstances, the right line of approach to them would be to tell them that their brutal oppressor will be treated kindly after their liberation.

In any case, the oppressed peoples fear that Great Britain will disarm once more after victory. If they are told that Germany will be left strong and powerful, instead of being rendered harmless at least for a number of years, then they may well come to the conclusion that it is hardly worth their while to take any risks for the sake of shaking off the German yoke for a brief period. For one thing, they will not believe it will be really shaken off, considering the utterly defenceless state in which they will find themselves after their liberation unless they receive assurances that Germany will be disarmed completely and kept disarmed effectively.

Whatever the effects of appeasement propaganda may be in Germany, it is certain that it can only produce dismay and despair in German-occupied countries. It simply throws their population into Hitler's arms. They not unnaturally fear that even in case of Allied victory they would be left to the mercy of Germany, so they may conclude that they might as well co-operate with their masters from now on instead of resisting them.

It is impossible to try to please both Germany and her victims. If it is necessary to choose which to please, obviously it is to our interest to please the conquered peoples. There is a much better chance of obtaining help against Hitler from them than from the German people. Their resistance and non-co-operation could and should be increased by assuring them that after their liberation they will be safeguarded against becoming once more the victims of German aggression.

Unfortunately the Government, after resisting pressure on the part of appeasers for nearly two years, yielded to some extent presumably for the sake of strengthening President Roosevelt's position in relation to appeasers in

the United States. In many respects, the Atlantic Charter may be regarded as a victory of the policy of appeasement. Already pro-German propaganda in this country has been protesting against any restrictions to be imposed upon the German arms industry as being contrary to the spirit of the Atlantic Charter. Their agitation to that effect is based on the clause of the Atlantic Charter promising economic equality to all. It is true that Article VIII, on the other hand, provides for the complete disarmament of the aggressor after her defeat, but pro-Germans have already begun to interpret this clause, confining its effects to temporarily unilateral military disarmament in the narrowest sense of the term. They already protest against another Treaty of Versailles under which German arms factories had to be dismantled. Owing to its vagueness, the Atlantic Charter is actually providing material for a German agitation that is apt to produce the excuse for the next war.

From the foregoing it should be obvious that the campaign in favour of lenient peace terms has failed to contribute, and is not likely to contribute, anything towards winning the war. On the contrary, by playing down hatred of the German aggressors in this country and in allied and neutral countries, by encouraging the German people to support Hitler until his final defeat, and by inspiring the conquered peoples with a feeling that even after their liberation they would not be safeguarded from the recurrence of German aggression, appeasement propaganda is doing its best to weaken our chances to win the war. We propose to examine in the next chapters whether the campaign is likely to contribute anything of value from the point of view of winning the peace. But even if the claim of appeasers that the peace cannot be won unless their policy is adopted were fully justified, it would not be worth our while to jeopardise our chances of winning the war for the sake of winning the peace.

CHAPTER IV

A SURE WAY OF LOSING THE PEACE

AT the extreme wing of the appeasement movement there is a small number of left-wing pacifists, rubbing shoulders with right-wing pro-Germans, who would be prepared to conclude peace on any terms with Hitler. Fortunately, the predominant majority of the British public is aware that such a peace would be merely a repetition of the Peace of Amiens. It would amount to an armistice, enabling Hitler to retain all his conquests. In theory, time would be in favour of the democracies, since they would have a chance to make good their past omissions and bring their munition production to a maximum, and American war industries would have time to come into their stride and it would be possible to accumulate food reserves that would enable this country to frustrate any future attempt at being forced to surrender through submarine blockade.

In practice, however, things would work out in a totally different way. In all probability the democracies would fail to make use of their opportunity. The increase in munition production in Great Britain during the past two years has only been achieved as a result of the menace of invasion. Even so, it was only with the utmost reluctance that the British people put up with restrictions and regimentation, without which it would have been impossible to produce the results achieved. Every time the situation improved there was a setback in arms output. The moment immediate danger would appear to have ceased through the conclusion of peace with Hitler, there would be an irresistible pressure towards returning to the easy-going life of pre-1939 days. The Government would not be in a position to keep up pressure on the public, since, in order to justify the conclusion of peace with the present German régime, it would have to pretend to accept Hitler's word at

its face value. But in any case, the popular clamour for the removal of irksome restrictions on their daily life would be irresistible. This, together with the inevitable financial, industrial and social upheaval which will follow an inconclusive peace, would handicap British production of war materials to a very considerable degree.

This last point is particularly important. Although some of the best brains and many of the second-best brains of the country are busily engaged in thinking out the details of our post-war paradise, it would be gross self-deception to believe that we shall be able to avoid the aftermath which caused so much suffering after the last war, unless complete victory will secure for the Government the popularity and prestige required for the maintenance of irksome but necessary restrictions. A Government which concluded peace without victory would not command a sufficient degree of prestige in the country. In such circumstances any political party that would go to the country with a programme of restoring complete economic freedom might emerge victorious from the first general election. On this assumption it would be idle to expect monetary stability or economic stability. Fluctuating exchanges and prices would mean, of course, industrial unrest, and the class feuds and party feuds that have been more or less suspended for the duration would break out with elemental force.

If Germany should be left by the Peace Treaty strong and powerful (whether under Hitler or some other régime), then our financial, industrial and social troubles would give her the opportunity to make another attempt at conquering this country. During the years while the productive capacity of this country would be impaired by its internal troubles, disciplinarian Germany would continue to produce armaments to the limit of her capacity, and would organise the production of Continental Europe in the service of Germany's war economy. Given such circumstances, it would be sheer wishful thinking to imagine that time would work in our favour.

It would be equally unpardonable self-deception to

suppose that it would be worth while to conclude peace with Hitler on his terms to gain time enabling the United States to increase her arms output. At the time of writing, the economic war effort of the United States is at the relatively early stage as the British war effort was after the collapse of France. It is easy to imagine what would happen if the war were to be brought to an end without defeating Germany. Once the danger of domination by Japan and Hitler would seem to fade into the background, it would be quite impossible for President Roosevelt to obtain an increase in the economic war effort.

The net result of peace bought from Hitler at the price of sacrificing Continental Europe would be to increase immensely Germany's relative strength. Apart from the better utilisation of her productive capacity than that of the democracies, she would also be in a position to replenish her raw material resources. Her storage capacity for oil would be increased, mainly through the construction of vast underground storage tanks. They would be filled partly by the increase in oil imports, partly by the production of synthetic oil and partly by the increase in output of oil fields in German-controlled territory. In this latter respect there are wide possibilities both in Poland and in Rumania. It is true that the output in both countries tended to decrease in recent years. But if their resources were exploited without regard to commercial considerations there is no doubt that this trend could easily be reversed. Germany would also be in a position to acquire big stocks of raw material—rubber and other commodities—of which she is short at present.

Above all, Germany would be able to increase her sea-power to a spectacular degree. In this respect, the wishful thinkers in Great Britain surpass themselves in short-sightedness. Throughout the centuries there has been a traditional school of thought opposed to military commitments, maintaining that, by relying exclusively on sea power, Great Britain would not only be able to defend herself against invasion but also secure final victory against her Continental opponents. This school—known under the

name of the "Blue Water School" — gained in strength as a result of the important part played by the naval blockade in the defeat of Germany in 1918. Its adherents fail to realise that there are several essential differences between the situation to-day and twenty-five years ago. Germany now controls the productive capacity and raw material resources of practically the whole of Europe. Since 1918 she has developed the production of synthetic materials to a remarkable degree. The scientific organisation of her war economy made immense progress. While it would be impossible to deny that blockade is still capable of contributing in a large degree towards the defeat of Germany, it is essential to realise that History does not necessarily repeat itself to the extent that it is expected to.

What is perhaps even more important is that, in the possession of the shipyards and iron ore resources of the Continent, Germany would sooner or later be in a position to challenge Great Britain's naval supremacy. It is amazing that this elementary fact should be overlooked by naval experts of the "Blue Water School". Yet it is largely a matter of simple arithmetic to prove that, in possession of the shipyards of France, Italy, Russia and the smaller Continental shipbuilding countries, Germany would be able to outbuild Great Britain in a race for naval supremacy. According to the information contained in *All the World's Fighting Fleets*, by Lt.-Comm. Talbot-Booth, during the years that preceded the war British shipyards were engaged in the construction of five capital ships of the *King George V* type. At the same time, Germany was constructing three capital ships of the *Bismarck* type, Italy four capital ships of the *Vittorio Veneto* class, France two battleships of the *Richelieu* class, and there is reason to suppose that Russia too was constructing at least three capital ships. This would mean that the capacity of a German-controlled Continent for capital ships would be more than double the capacity of British shipyards. As far as the United States is concerned, there is reason to fear that, in possession of raw materials from her newly-conquered possessions, Japan would more or less hold her own in a naval race in the

Pacific, especially if she obtained technical assistance from Germany.

The experience of the *Bismarck* conclusively proved that both battleships and crews of the German Navy are first class. Should the German Navy attain parity with the Royal Navy, the latter's world-wide commitments would place her at a disadvantage and the British Isles would be exposed to invasion.

It is well worth remembering that even during the years before 1914, when Germany could only rely on her own shipbuilding capacity, British naval supremacy was endangered by the Kaiser's ambitious naval programme. Mr. Reginald McKenna, when First Lord of the Admiralty before the last war, had expressed the opinion that Germany was well in a position to increase her shipbuilding capacity up to British capacity. Germany has now assumed control over practically all Continental shipyards, with many thousands of experienced engineers and workmen. She can draw freely on the iron ore resources of Lorraine and Luxembourg, and to a large extent also on those of Sweden and Spain. If the control of all these resources is left in her hands by a peace treaty, whether with Hitler or with another German régime, then before very long the German Navy will be in a position to make a bid for the control of the seas.

The experts of the "Blue Water School" may well argue that it takes a number of years to build a capital ship and to train expert crews. It is a matter of detail, however, whether it takes five or ten years to outbuild the Royal Navy. What is important is that, in possession of all the Continental resources, she is in a position to do so, and it is therefore a matter of life and death for this country not to leave these resources under German control.

Elementary considerations of security demand that this country should in no circumstances conclude peace under the terms of which Germany would retain her control over the Continent. Nor is it sufficient to deprive her of direct military control, while leaving Germany political and economic control. This is by far the gravest danger that

threatens the democracies. It is conceivable and even probable that, sooner or later, Hitler might launch a peace offensive. He may then surprise British and Allied statesmen by making an apparently generous offer to withdraw his troops from the conquered territories. It would be extremely tempting to accept such an offer, and a large section of public opinion would press the Government to accept it. It would require exceptional statesmanship to be able to resist the popular pressure, and to avoid falling into Hitler's trap. To accept such terms while Germany retained the means of reconquering the territories to be evacuated would be mistaking the shadow for the substance. For the liberated countries would be entirely at the mercy of Berlin.

After their defeat, these countries were completely disarmed; their fortifications were dismantled and a large part of their munitions industries were transplanted to Germany. Hitler would see to it that the withdrawing German armies would not leave anything that would enable the evacuated countries to rearm. Those countries would be only too well aware that Germany was in a position to reoccupy them with the greatest of ease at any moment. They would remain therefore entirely under German control, just as if the German armies were still in actual occupation.

Nor is this all. In anticipation of a decision to make some such peace move, the Germans have embarked on systematically securing the financial control over all vital industries in occupied countries. In Poland they simply take possession of these industries. In Czecho-Slovakia they pretend to respect outward forms, but the result is the same. The measures passed by the occupation authorities threatened with insolvency the Czech banks and undertakings, and to avoid this, these banks and industries agreed "of their own free will" to submit to German financial control. In Northern and Western Europe, the Germans are even more particular to keep up appearances. They confine themselves largely to buying up securities on the various Stock Exchanges, paying of course with the

conquered peoples' own money. Alternatively they withhold raw materials from industrial undertakings unless they agree to come under German financial control.

There would not be much point in taking all this trouble if Germany were to remain in full possession of the countries concerned. While military occupation continues it is purely a matter of form whether the factories in occupied countries are owned by Germany or by local people. The latter have in any case to take instructions from Berlin. The supply of their raw materials and fuel resources is controlled by the occupying authorities, and their profits, when there are any, are also determined by these authorities. The acquisition of financial control over such industries would assume a totally different significance if and when Germany should decide to evacuate these countries. If they are forced to evacuate them as a result of Allied victories it would be a different matter, for in that case it would be possible for the liberated countries to invalidate all share transactions that took place during German occupation, and through which shares were transferred to German ownership. No such terms could of course be imposed on Germany if she offered to evacuate these countries of her own free will. The control of industrial undertakings in evacuated countries would remain in German hands. This, together with the implied threat to reoccupy them, would enable Germany to control industrial activities to the same extent as if the evacuated countries were still under occupation. This would mean that the vast industrial capacity of the Continent would continue to remain in the service of the German *Wehrwirtschaft*. In many ways this arrangement would suit the Germans even better than dual control through military occupation. Through their control of Belgium and Holland, they would gain access to the vast colonial resources of the Congo, and the Dutch East Indies and Dutch West Indies. Their grasp on France would place the wealth of the French Empire at their disposal. In the case of Norway, the catch of the whaling fleet would come under German control. For the sake of such results it might appear to be worth Germany's while

to abandon military control over these countries, while retaining political control in the same way as she retains political control over Vichy France.

These considerations must be borne in mind if and when the democracies are confronted with apparently generous peace offers under which Germany would offer to agree to evacuate the conquered countries. So long as Germany retains her military supremacy and so long as she cannot be forced to relinquish her ill-gotten gains in the form of financial control in the conquered countries, it is a matter of unimportant detail on what terms Germany is ready to conclude peace.

Nor would it make much difference if Hitler offered to relinquish his power and retire to Berchtesgaden. In all probability he would choose his successor, who would remain for all practical purposes his nominee. The basic fact of the situation is that the predominant majority of the German people worship Hitler, and, this being so, he would retain his actual power even if he were to pretend to retire from active politics.

While opinion is fairly unanimous about the impossibility of making peace with any of the Nazi leaders, some quarters in Britain are inclined to be less categorical about the possibility of peace with a Germany under Reichswehr dictatorship. There can be no doubt that there is little love lost between the Nazi Party and the majority of the senior generals of the Reichswehr. This does not mean, however, that the latter should be regarded as more acceptable than the former. While a military dictatorship would bring about many changes internally — it would certainly be less socialistic but none the less aggressively nationalistic than the National Socialists — in relation to other races it would assume the same appearance, aiming at world domination.

Even a fundamental change in the régime would fail in itself to provide the necessary safeguards. So long as Germany retains her military power, she would remain militaristic, no matter under what régime. The Reichswehr would be the real ruler, even if the Weimar Republic were to be resuscitated. It will be remembered that between

1919 and 1933, the diminutive Reichswehr, in spite of the limitations on its size by the Treaty of Versailles, played a very important part in German internal politics. It is difficult to imagine that after this war a German democratic Government would be in a position to control a much more powerful Reichswehr. The only reasonable safeguard against a revival of militarism in Germany is the defeat and annihilation of Hitler's armed forces, and the adoption of adequate measures to prevent their reconstitution. If for the sake of early peace the Allies should decide to forgo this safeguard, and concluded peace with an undefeated Germany, another war would be a mere question of years, or perhaps months. To conclude peace before winning total victory is a sure way of losing the peace — and also of losing the next war.

CHAPTER V

A CHANCE OF WINNING THE PEACE

THE complete and unilateral disarmament of Germany is the only possible way of winning the peace. To conclude peace after our total victory on any other terms would be as fatal a mistake as to conclude peace with an undefeated Germany. Judging by the Atlantic Charter, British and American statesmen are fully aware of this fact. Article VIII of the Atlantic Charter clearly stipulates the disarmament of aggressive nations as one of the major peace aims of the democracies. At the same time, however, the same Article foreshadows world-wide disarmament. Yet it would be imprudent in the extreme to agree to universal disarmament for a very long time to come, since the chances are that Germany would find a way for evading any limitations agreed upon.

It stands to reason that only a defeated Germany will ever consent to terms providing the necessary safeguards. Never would Germany, with her armed forces comparatively intact, consent to unilateral disarmament, not even if the Allies were to promise her population generous treatment.

In itself military disarmament, however thoroughgoing, would not be sufficient. The main object of this book is to draw attention to the imperative necessity for securing safeguards against a rearmament of Germany. This can be achieved to a very high degree through her economic disarmament. Her military disarmament would merely generate a false feeling of security amongst her potential victims, as it did after the Versailles Treaty.

Even if military disarmament is supplemented by economic disarmament, it would not be possible to safeguard peace unless the Reich is dismembered into its constituent elements. This is presumably the most unpopular suggestion contained in this book, since the last war was fought by the democracies for the self-determination of

peoples, and this principle has taken very deep root in public opinion in the democracies. It was considered one of the most unjust provisions of the peace treaties that they contained clauses preventing the inclusion of Austria and the Sudeten districts into Germany. Beyond doubt the self-determination of peoples is a basic democratic principle, but it would be fatal to be dogmatic about it when it conflicts with overriding principles of security for the world against more German aggression. Germany has grossly abused the principle of self-determination, to which Hitler paid lip-service so long as there were Germans to "liberate", but which he cynically discarded the moment that task was completed and when the time had come to embark upon conquering countries inhabited by non-Germans.

In any case, it is a mistake to assume that all Germans wish to belong to the Reich. Although they speak the same language, the Southern Germans are separated from the Northern Germans by differences in race, tradition and character. Even now, the older generation in Bavaria and Austria would prefer to be ruled again by their former dynasty, and the younger generation could easily be converted. To that end, it would be worth while to offer Bavarians, Austrians, Saxons, etc., more favourable treatment than that to be decided upon for Prussia, from the point of view of military occupation, economic facilities, etc. By means of such inducements it would be possible to obtain the consent of the majority of the peoples concerned to their separation from Prussia. Such consent would be a necessary condition of territorial changes under the Atlantic Charter. There is an intense hatred between Bavarian and Prussian, and the only reason why the former have been willing to sacrifice their autonomy in the Nazi régime, is that the Nazi movement actually started in Bavaria, so that Bavarians feel that, so far from having been conquered by Prussia, it is they who conquered Prussia.

There is a widespread belief in Britain that the necessity for retaining all German-speaking peoples within the same border is axiomatic. Yet they only have to look as far as Switzerland to realise the falsity of the argument. The

Swiss Germans, who form the majority of the population of Switzerland, have not the slightest desire to join their fellow-Germans within the boundaries of the Reich. Indeed, they are prepared to fight to the last ditch to avoid being unified with the eighty-six millions of Germans under Hitler's rule. No Swiss citizen is ever unhappy at the thought of belonging to a small nation instead of a huge Reich. They value their independence, they are justly proud of their traditions and history. The Austrians, Bavarians and Saxons, etc., have also many centuries of independence to look back upon. Their association with the Holy Roman Empire in past centuries was very vague and loose. Even after 1871 they were anxious to retain their national identity. It was not until after Versailles that the small countries of the Second Reich gave up their independence. It would be possible in any of these countries to revive an all but universal desire to resume their traditional independence, and in rather less than a generation Bavarians, Austrians, etc., will be as proud of their history and traditions, as distinct from those of Germany, as Swiss citizens are to-day.

It may be argued that, should the German Reich be dismembered, a large section of the population of its Succession States would persistently agitate in favour of re-uniting once more the German-speaking peoples. Even so, however, the chances are that if Germany were left united the very same people would then agitate in favour of making another bid for the domination of Europe. The well-known Nazi song, "Heute gehört uns Deutschland, morgen die ganze Welt" (to-day Germany is ours, to-morrow the whole world), is worth remembering in this connection. If the aggressive elements in Germany have first to focus their energies on the task of re-conquering Germany they will have less time for working for world conquest. They will have to postpone that task till "the day after to-morrow," which is all to the good.

One of the main reasons why the dismemberment of the Third Reich is looked upon with distrust in Great Britain, is the belief that small nations are economically unsound.

This belief is based on the deeply-rooted free trade tradition. Doubtless, the belief that there are advantages in belonging to large free trade areas, while justified, is apt to be exaggerated. It would be idle to deny the advantages derived by the United States from the vastness of her internal markets and variety of resources and means of production included within the same customs barriers. It would be equally futile to contest the economic advantages of the British Empire for its participants, even though the exaggeration of its importance is apt to lead to misconceptions abroad, where it is popularly supposed that the British Isles live on the exploitation of the Dominions and colonies. At the same time, the example of Switzerland, Sweden and the Scandinavian States in general proves that small nations are able to reach the same degree of prosperity and civilisation as big nations. There is, indeed, no reason why a nation of eight million people, provided that they are well governed and hard-working, should not achieve as high a degree of prosperity as a nation of eighty million people.

The popular misconception that small nations must necessarily be unhappy and miserable received powerful support from the experience of the early 'twenties, when Austria was on the verge of starvation. This fact has been quoted to prove that the dismemberment of Austria-Hungary was bound to create an impossible situation from an economic point of view. As a matter of fact, if we regard the changes brought about by the treaties of Saint-Germain and Trianon from the point of view of the Succession States other than Austria and perhaps Hungary, it is impossible to discover any signs of economic deterioration. Czecho-Slovakia had developed into one of the most prosperous States in Europe in spite of her small size. The main troubles of Rumania and Yugoslavia were that as a result of the wave of optimism generated by their aggrandisement their population was growing to such an extent that the land was unable to absorb the surplus. They could have solved their problems by means of industrialisation, but lack of capital prevented them from resorting to this solution. For political reasons they refused the alternative

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solution of economic federation. In their case, the trouble was either too much economic nationalism or not enough economic nationalism. While the federal solution would have been preferable, they could have solved their economic problem also by the achievement of a higher degree of self-sufficiency.

Even so far as mutilated Austria was concerned, the contention that as a result of the dismemberment of the Dual Monarchy they were doomed to permanent misery was not borne out by facts. Admittedly, they had a very bad ten or fifteen years following the last war. This was, however, the natural result of the need for readjustment. Vienna was no longer able to employ hundreds and thousands of former civil servants and others engaged in occupations affected by the curtailment of the hinterland of these two cities. The readjustment was bound to be a painful process, and it was particularly unfortunate that by the time it was approaching completion the great depression and especially the Central European financial crisis inflicted upon the Succession States new hardships. Had it not been for that setback, both Austria and Hungary could have achieved a degree of prosperity comparable with that of their neighbours. Even as it was, their progress was by no means negligible. Austria had proved conclusively that, in spite of the severe curtailment of her territory, she was able to work out her own salvation. The picture painted by Pan-Germans before and after the *Anschluss*, representing Austria as a nation of starving beggars, was entirely false. In spite of difficulties caused by internal troubles stirred up by Germany, Austria was able to consolidate her position to a remarkable degree. It is a fact that cannot be sufficiently repeated that at the time of the *Anschluss* Austria was financially much sounder than Germany. She was paying her debts regularly, while Germany had defaulted on hers. The Austrian National Bank had a much larger gold reserve than the Reichsbank. Indeed, with the aid of invisible exports in the form of tourist spendings, Austria became self-supporting. This does not of course mean that the generation which could remember the glory

of the Hapsburg Empire was happy. There was no reason, however, why a younger generation brought up amidst the changed conditions should not resign itself to the fact that the political greatness of Austria — as distinct from her cultural greatness, which is eternal — was a thing of the past.

On the basis of these facts, it is evident that the detachment of the smaller German States from Prussia would spell no economic disaster, not even to Prussia itself. Some hundreds of thousands of Government officials in Berlin would have to find other jobs. But it is hardly reasonable to expect the peacemakers to forgo the necessary means for the security of Europe in order to secure the continuation of the jobs of these people. They would be absorbed in other activities. As we shall see in a later chapter, the problem of German post-war unemployment is capable of solution.

Admittedly, it is not an enviable task to draft peace terms which are apt to uproot hundreds and thousands of people from their well-established existence. The choice lies, however, between their inconvenience and the safe existence of hundreds of millions of non-German Europeans, who must not be left at the mercy of the megalomania of Germany. That megalomania would continue to exist if the eighty-six millions of Germans were allowed to remain within the same borders. It is the unification of the German-speaking races (I use the plural advisedly) that set into motion the steam-roller of German imperialism. The Bavarians had been happy for over a thousand years without having succeeded in dominating Europe and without even having attempted to do so. The same is true concerning the Saxons, who would have every reason to be satisfied if the peace treaties restored to them the territory detached in favour of Prussia after the defeat of Napoleon. The Austrians provide a remarkable example of the change of mentality as a result of the curtailment of their political power. This generation of Britons regards Austrians as essentially docile and nice people ; and so they were during the twenty years that elapsed between the two wars. Any

student of European history knows, however, that for centuries, under the Hapsburgs, Austrians were a very unpleasant proposition indeed. Human memory is short but the facts of history are on record. The behaviour of Austria in relation to Italians, Hungarians, Czechs, etc., under her domination as recently as the nineteenth century was not much more humane than that of Germany towards conquered races. While Austrians did not go in for sadistic tortures of these minorities, they had ruthlessly efficient methods of keeping them down. Thousands of patriots were executed after abortive attempts at shaking off the Austrian yoke.

All this is now past history, and to recall it almost requires an apology, in view of the changed qualities of the Austrian people after 1918. The moment Austria was deprived of the means of oppressing other races, the entire character of the nation appears to have undergone a complete change for the better. Indeed the same people who lent themselves so readily to be willing tools of oppression of minorities by their rulers became almost overnight as gentle as, say, the Swiss who never oppressed anyone. This was simply because they realised that for them the days of imperialism were over. By saying this I do not in any way seek to belittle the merits of the Austrian people in changing its character. The change was genuine and sincere as far as the predominant majority of the Austrians was concerned. And that is what really matters.

It would be too much to expect the Prussians to settle down so quickly to the bitter fact that they can no longer oppress other nations, and to make a virtue out of necessity. Nevertheless, sooner or later this result could be achieved, provided that an Allied occupation for a period makes the population of what is left of Prussia realise that for them there is no chance of putting the clock back. It is absolutely essential for the taming of the Prussians to make them realise the utter hopelessness of another attempt at world domination.

Many people seem to believe that it would be possible to tame even the Prussians by generous treatment. For

the sake of this imaginary chance they would be prepared to expose the world to a repetition of 1914 and 1939. Admittedly, there is a risk involved also in the opposite solution. It is, however, incomparably smaller than the risk attached to the course advocated by appeasers. If the appeasers are wrong, then Germany will be given the maximum temptation and the maximum opportunity to make another bid for world domination.

If the solution advocated by appeasers is adopted there would be nothing to prevent Germany from preparing for another war in the course of a very few years. If the appeasers have their way, then, to justify the granting of generous peace terms, the democratic Governments would have to direct their propaganda to the task of converting public opinion to the idea that Germany would never again attempt world conquest. This propaganda would lull the democracies into a false feeling of security and would greatly improve Germany's chance to rearm. For the errors of judgment of the peacemakers we should pay with a new war, not in twenty years, but in five or less.

The object of this book is to indicate methods with the aid of which the disarmament of Germany can be made effective. The first step in the right direction is the realisation that the unilateral disarmament — economic as well as military — of Germany is an essential condition of security for the world. Conceivably, many readers remain unconvinced by the argument in favour of German economic disarmament in this chapter and the last, because they feel strongly against inflicting hardship on the rank and file of the German nation. In a subsequent chapter, attempt will be made to prove that it is possible to disarm Germany effectively, without reducing the German nation to a state of misery.

CHAPTER VI

WHY GERMANY WAS ABLE TO REARM

THE necessity for disarming Germany after her defeat is all but universally admitted. Even among appeasers only the extreme wing is opposed to German disarmament or insists on the simultaneous disarmament of the democratic countries. The majority of appeasers profess to be in favour of Germany's military disarmament but insist that political and economic equality should be granted to her from the outset. It is beyond doubt that the military disarmament of Germany, if unaccompanied by the disarmament of the democratic countries, would constitute an important safeguard against a repetition of German aggression, provided that the inferiority of German armed power can be maintained permanently. The most obvious preliminary condition to that end is the military occupation of Germany, or at any rate of Prussia. Provided that Prussia could be under effective Allied military control in perpetuity, the problem of security after this war could be considered solved.

Unfortunately it is impossible to bank on the possibility of keeping Prussia under permanent military occupation. The democratic countries may decide on that course now, or in the hour of victory, but the chances are that sooner or later they would relax their control. As far as Great Britain is concerned, that may be taken for granted. Sooner or later sentimentalists and other appeasers are likely to gain the upper hand in Parliament and the country, and the Government will be forced to withdraw the British contingent in the inter-Allied army of occupation. This was actually done in 1923, when, as a result of the disapproval of the French occupation of the Ruhr, the British army of occupation in the Rhineland was withdrawn. It is easy to imagine similar circumstances that would lead to similar decisions being taken. Conceivably, German propaganda

would circulate atrocity stories concerning Polish or other occupying contingents, and British opinion, forgetting the infinitely worse atrocities committed by German armies of occupation during this war, would press the Government to wash their hands of the whole affair. Or else isolationists in Great Britain may gain the upper hand and force the Government to withdraw from active participation in Continental politics.

The chances are that those countries among the Allies which are geographically more remote will be among the first to deem it unnecessary to prolong the occupation of Germany. Already during the exchange of views between this country and the United States that preceded the Atlantic Charter, the American statesmen are believed to have expressed the view that the military occupation of Germany must be of short duration, a view which Mr. Churchill did not share.

It is true that even without British participation the Continental ex-victims of Germany would be in a position to continue military occupation. It is possible to envisage, however, various circumstances as a result of which disagreement and jealousy between Continental nations would weaken to a very large degree their military control over Germany. Even though these nations may to-day swear eternal friendship, it would be unduly optimistic to assume that, after the defeat of Germany, animosities between them would never arise.

The military evacuation of Germany might also be brought about as a result of the burden of the occupation costs, especially if, after a while, Great Britain were no longer prepared to shoulder her share. A show of repentance on the part of Germany might also prepare the way for the decision to discontinue military occupation and to replace it by some form of vague inter-Allied control. Experience after the last war showed the utter ineffectiveness of such control. Even during the "pacific" Weimar régime relatively substantial quantities of arms eluded the vigilance of the Berlin inter-Allied committee of disarmament. Nothing short of effective Allied occupation would

provide the necessary safeguard, and, unfortunately, it is advisable to envisage the possibility and even the probability of a termination of such effective control after a number of years.

Admittedly at the time of the military evacuation of Germany she would be left in a disarmed state. The question is, Will Germany be in a position to rearm after the termination of effective control? Will she have the necessary plant and raw materials with the aid of which she could rearm in a comparatively short time, or will she have to start, so to speak, from scratch? An industrious nation such as the German would sooner or later find the means of rearming, if given a chance. The length of the period she would require to rearm would make, however, all the difference to the democratic countries. Should Germany be able to rearm again in the course of a few years, as she did between 1933 and 1939, she might attain military supremacy once more, before the slow-moving democracies had taken adequate counter-measures. Will Germany be given another chance to catch up with the armed strength of the democracies? It depends on whether the democracies have benefited from the lesson of 1933-39.

The spectacular pace at which Germany rearmed during the six years that preceded this war will go down in history as one of the most remarkable feats, military, economic and technical, of all time. In 1933 her military power was negligible, while six years later she possessed the world's most formidable army and air force, and also a by no means negligible navy. It was the suddenness of the change that caught the world completely by surprise. Had Germany rearmed at a more or less normal pace — which would have meant that she would have completed her preparations by, say, 1950 — the democratic countries would have taken notice before it was too late and would have made their own preparations in good time. It was because Germany was practically helpless at one moment and was the possessor of formidable armed forces at the next that the democratic countries found it impossible to keep pace with her. It took them too much time even to realise what was happen-

ing in Germany ; they needed more time to decide upon rearmament, and a great deal more time before the decision was translated into action. Even this time-lag would not in itself have secured for Germany such a tremendous advantage, had it not been for the fact that her industrial system was incomparably better prepared for rearmament than that of her potential opponents. As it was, she had time to complete her arms drive and to strike before the democracies had a chance to catch up with her.

How was it possible for Germany to carry out her gigantic arms drive at such a breath-taking pace ? The problem is the more perplexing since rearmament to-day means something totally different from rearmament during the Napoleonic wars. At that time, Prussia was able to circumvent the disarmament clause of the peace treaty notwithstanding her supervision by Napoleon's agents, because rearmament was a relatively simple matter. The volume of war material required was negligible in comparison with present-day requirements. What was needed was mainly a sufficient number of rifles, which could easily be concealed, and a sufficiently large number of men trained secretly for military service. A moderate quantity of arms was concealed during the period of control, and between the time of Napoleon's retreat from Moscow and his campaign in Germany in 1813, it was possible to produce a fair-sized and fairly well-equipped army which played an important part in the defeat of Napoleon at Leipzig.

During the period which followed Germany's defeat in 1918, it was incomparably more difficult for Germany to rearm in secret than it had been for Prussia after her defeat at Jena. No doubt she concealed a certain amount of war material from the inter-Allied war commission and manufactured clandestinely even during the Weimar Republic. All this could not have accounted for more than a fraction of her minimum requirements, however. To build up an army of several million men required an immense quantity of war materials, all the more so since during recent years mechanisation has made remarkable progress. The provision of war materials for an army corresponding

in size to that of the Imperial army of 1914, required an incomparably bigger effort than it did before 1914, when in any case the material had been built up gradually over a period of decades. In spite of this, Germany succeeded in producing her armaments requirements for her vast fighting forces of 1939 within the brief space of six years. To do so, it was necessary for her to overcome difficulties of a political and economic character.

It would have been politically impossible for Germany to rearm much before 1933. For a long time after the termination of the last war, France watched her with distrustful eyes and would have been ready to strike if she had seen evidence of any too-flagrant violation of the disarmament clauses of the Treaty of Versailles. By 1933, however, France was paralysed by her own internal political and financial troubles. Her vigilance relaxed, and consequently it became possible for Germany to rearm. At the beginning of Hitler's régime, this had still to be done in secret. The proverbial perambulator factory which turned out machine-guns became a standing joke all over the world, and very few people realised that it was too near the truth to be really funny. Aeroplane parts were manufactured in every part of Germany and Goering was waiting patiently for the moment when he would be in a position to put them together, and to construct a substantial air force almost over-night. As and when Germany grew stronger, the pretence and camouflage were gradually discarded and the arms drive continued openly on an ever-increasing scale.

The future student of history will doubtless find it most perplexing to account for the inaction of France in face of the ever-growing danger. That Great Britain did not act will probably be regarded as understandable in view of the gullibility of the statesmen who were in charge during that period, and also the lack of interest of the British public. France was, however, increasingly suspicious, yet in spite of that she allowed Germany to rearm at a time when the French Army was strong enough to tackle Germany single-handed. The Maginot Line mentality must have had a

great deal to do with it. However that may be, the fact is that from a political point of view Germany encountered no obstacle to her rearmament. It is true that the Treaty made far-reaching political provisions against German rearmament. The experience of 1933-39, however, conclusively proves that in themselves such political provisions are inadequate, since they can easily be removed by a change of circumstance.

The Treaty of Versailles failed because it contained no adequate provision against Germany's economic rearmament. While the statesmen of Versailles stipulated the military disarmament of Germany, they omitted to insist on her economic disarmament. Very little was done to prevent Germany from reconstructing later the weapons which she had been forced to surrender to the victorious Allies or which were destroyed under the supervision of the Inter-Allied Commission. It is true that, under the Treaty, Krupps and other arms manufacturers had to dismantle that section of their works which was directly engaged in arms production and which could not be converted into the production of ploughshares. Nevertheless, this operation was not nearly sufficiently thoroughgoing. Krupps and other firms retained all their power plant and factory buildings and machinery, with the exception of machine tools and other equipment used directly for the production of war materials. Consequently, it was easy to re-equip them for arms production the moment it was decided in Berlin to reverse the policy of fulfilment of the disarmament clauses of the treaty.

The main reason why Germany was able to build up an arms industry far in excess of her capacity of 1914 was that she possessed a vast capacity for the production of machine tools. Her machine tool industry is second only to that of the United States and easily first in proportion to her population. It expanded considerably during the post-war period, thanks to huge orders received for the equipment of the growing industries of the Soviet Union. After 1933, as a result of the strained diplomatic relations between Berlin and Moscow, the delivery of German machine tools

to Russia declined to a fraction of what it had been before the advent of Hitler. Consequently, the whole immense additional capacity of the German machine tool industry became available for Hitler's rearmament requirements.

The significance of this factor has not been realised. The reason why it took such a long time for the British arms industry to come into its stride was, first and foremost, lack of machine tools. Although in many specialised branches, such as textiles, the British machine tool industry is capable of producing for export in addition to supplying home needs, generally speaking Great Britain was an importer rather than an exporter of machine tools; even before the beginning of her arms drive, a large proportion of the machine tools required for the largely static British industries had to be imported from the United States and Germany. When in 1938 it was decided to speed up rearmament, this was easier said than done, owing to the impossibility of producing or importing at short notice all the machine tools required. After the outbreak of war, the machine tool industries of the United States were flooded with orders from Great Britain, Russia, France, Italy and Japan, and it would have taken ten years on the basis of their then capacity to carry them out.

Germany, on the other hand, was in a much happier position. She was able to produce the necessary machine tools at an amazing rate. Indeed there is reason to suspect that even before 1933 the German Government placed large orders for machine tools required for rearmament. There was nothing in the Treaty of Versailles to prevent them from doing so, provided that the machine tools were not actually used for the manufacture of arms. The reconstruction of German military power within six years is often referred to as something miraculous. Yet the explanation is very simple. With the aid of her machine tool industry, Germany was in a position to rearm in record time.

The short-sightedness of the statesmen of Versailles was indeed amazing. While they took elaborate steps to deprive Germany of her arms, they failed to take any steps to prevent her from reconstructing her productive capacity

with much more up-to-date equipment. If only a fraction of the attention paid to military disarmament had been directed towards German economic disarmament, history might have taken a different course. During the early 'twenties, however, very few people worried about German ability to produce goods for war requirements. Even the over-suspicious French people failed to pay any attention to the dangerous possibilities arising from the German machine tool industry, or to any other aspects of the German technical and economic capacity to rearm.

One of the reasons for neglecting this all-important aspect of security was the mistaken belief held by the statesmen of Versailles that the reparation clauses of the peace treaty provided adequate safeguards against rearmament. The idea was that, owing to the heavy reparation burden imposed on Germany, she would have no budgetary or foreign exchange resources available for rearmament. In order to meet the demands of reparations the Reich would have to tax its citizens to the extreme limits of possibility, and the money would not be available for military purposes. Moreover, since what the Reich collected from the taxpayer for reparations would have to be transferred to the creditor nations, the foreign exchange requirements that had to be met in this connection would prevent Germany from paying for imports connected with rearmament.

In theory this system worked very well. In practice, however, reparations were paid not by Germany but by her foreign creditors. Germany regularly borrowed abroad the amounts paid in reparations, which meant that it was possible for her to make reparation payments without materially interfering with her capacity to import. Indeed, since the loans from abroad were in excess of the amounts paid in reparations during a number of years, Germany had a regular import surplus. Admittedly, during that period she did not actually rearm on any appreciable scale, but she had the opportunity of reconstructing her supplies of raw materials which became very useful when rearmament began in earnest. What is even more important, the foreign loans granted to Germany during the 'twenties

enabled her to modernise completely her equipment. The result was that by 1933 Germany was industrially much more powerful than in 1914. It is true that the proceeds of foreign loans were largely used for erecting plant catering for civilian requirements. As subsequent events proved, however, thanks to the capacity of the German machine tool industry it was not unduly difficult to convert the factories from the production of civilian requirements to the production of arms. Indeed, the fact that the German arms industry was able to make a new start carried certain advantages. At Krupps, for instance, the old-fashioned crucible furnaces were scrapped after the last war, and were subsequently replaced by much more efficient electrical furnaces.

The beginning of the arms drive practically coincided with the scrapping of reparation claims with the consent of the Allies. This does not mean, however, that Germany had to wait for rearmament until after the cancellation. Had it been politically possible to rearm, the reparation system in itself would not have presented unsurmountable obstacles to the process, even though it would have moderated the progress of rearmament. After the cancellation of reparations, the way was left entirely clear. It is necessary to explain, however, that even while they existed, reparations in themselves did not prevent Germany from preparing the ground for rearmament. It was during the period of reparations that the German machine tool industry was developed to its high level, and that German heavy industries in general were thoroughly rationalised.

An outstanding example of the way in which, in the absence of economic disarmament, Germany had been able to prepare for this war soon after the end of the last war is provided by the establishment of military control over machine tool production in 1924. In the year when the London Agreement led to the evacuation of the Ruhr and the issue of the Dawes Loan to assist in the stabilisation of Germany's finances, the German Government ordered a census of machine tools. From that time onward the specification of all machine tools had to be submitted to the

Reichswehr. The idea was that newly manufactured machine tools should be easily convertible for arms production. And this was done under the "pacific" rule of the Weimar Republic! Possibly the Socialists and moderate Democrats did not mean war. But they were evidently under the influence of the Generals of the Reichswehr, who were already thinking in terms of the coming rearmament. This fact alone is sufficient to prove the futility of the attempts to discriminate between "the two Germanys". Even if the overwhelming majority were pacific, they are only too willing to be led by the bellicose minority.

By looking back we are now in a position to realise that the Treaty of Versailles made the fatal mistake of allowing Germany to retain the resources and productive capacity that enabled her to rearm, as soon as political conditions became favourable for her rearmament. If it were possible to put the clock back to 1919, the Allied statesmen, on the basis of experience gained in the subsequent twenty years, would now probably insist on the dismantling of all factories which are capable of assisting in the re-creation of war-material-producing industries. Nothing of this kind was even suggested at the time of the Paris peace conference. This omission rather than that of the occupation of the left bank of the Rhine or other such measures proposed and rejected at the conference, was responsible for the chance given to Hitler. It is a lesson well worth remembering.

CHAPTER VII

NAZI PLANNING FOR REARMAMENT

FROM the moment of Hitler's advent to power Germany set out to prepare for economic war with scientific thoroughness. The country's economic organisation was systematically adjusted to the requirements of her *Wehrwirtschaft*, the study of which developed into a new science. The German technical Press devoted a very large proportion of its space to the discussion of questions relating to war economy. In this respect its attitude was in sharp contrast to the peace-mindedness of the technical Press in democratic countries. Even as recently as two years before the war anyone in Great Britain who showed signs of interest in the special economic problems of national defence exposed himself to the charge of warmongering.

For six years before the war, every consideration in Germany was subordinated to the supreme interests of preparing for war. One of the basic principles of *Wehrwirtschaft* was that Germany should become as self-sufficient as possible. The idea that the fundamental aim of German economic policy should be self-sufficiency was by no means new. Already in the nineteenth century, Germany's leading economist, Friedrich List, had declared that economic self-sufficiency should be Germany's goal. He considered it imperative that his country should produce at home all the goods essential for national defence. He laid down this rule more than a hundred years ago, but even then it was by no means easy for Germany to live up to his teachings. In the meantime, as a result of the increase in her population, and also of the mechanisation of the armed forces, Germany has become incomparably less self-sufficient than she was a hundred years ago. The German war economy has come to depend on imported metals, rubber, oil, textile raw materials, etc., to an extent which could not possibly have been envisaged in Friedrich List's days. Nevertheless,

the Nazi Government made a supreme effort to adopt his doctrine amid changed conditions.

It was the main object of the Four-Year Plan elaborated and applied under the guidance of Goering to make Germany as independent as possible of foreign supplies. During the early phases of the Nazi régime, the Four-Year Plan also served the purpose of reducing unemployment, and the self-sufficiency drive contributed in no slight degree towards that objective. Had it not been for the fact that at the time of the advent of Hitler Germany had some six million unemployed, the idea of establishing hothouse industries for the production of strategic raw materials might have opened the eyes of some of those who believed in Hitler's peaceful intentions. The production of synthetic substitutes for imported raw materials is far from being an economic proposition. Much more labour is required for the production of synthetic oil than for the transport and production of the corresponding quantity of mineral oil. After several years of apparently chronic unemployment, however, it was understandable that Germans were not unduly worried at the sight of labour being wasted on the production of synthetic substitutes. After all, it is better to employ workmen on the manufacture of Buna rubber and synthetic oil than to leave them unemployed and pay them the dole. The choice was not between employing them on economic or uneconomic production, but between employing them on uneconomic production or leaving them unemployed. What mattered was, that the goods should be produced irrespective of profit or loss. Apart from strategic considerations, this was clever policy, for even if raw materials were produced at a loss, their production created employment and thereby it tended to increase the popularity of the Nazi régime.

During the first two or three years, Germany did not dare to proceed with rearmament proper on a sufficiently vast scale to absorb all the unemployed, for fear that the evidence of such a sweeping arms drive might lead to French intervention before the Reichswehr was ready to meet it. Consequently, the reduction of unemployment

was achieved largely by means of spreading the existing volume of employment over the largest possible number of workmen. This tendency was subsequently reversed. As and when rearmament advanced, even constructive public works were discontinued owing to shortage of labour. On the other hand, the self-sufficiency drive was proceeded with in spite of the growing shortage of workmen for rearmament purposes, since it was part and parcel of the rearmament drive.

The outstanding example of waste in the production for self-sufficiency was that of treating low-grade iron ore in the Hermann Goering Werke. This was definitely not an economic proposition and was looked upon with considerable disapproval by German industrial circles.¹ Considering, however, that Germany had to import most of her high-grade iron ore requirements from France, Luxembourg or Sweden, it was well worth while from the point of view of self-sufficiency for her to exploit her own low-grade iron ore at a commercial loss. That loss was sought to be covered through the acquisition by the Hermann Goering Werke of the financial control over profitable works of heavy industries in Germany and Austria. Finance was, however, in any case a secondary consideration. What mattered was, that the Hermann Goering Werke should produce the steel required for rearmament and reduce the extent to which these requirements had to be covered with the aid of imported iron ore.

Similarly, Germany embarked upon the exploitation of uneconomic copper mines. Nevertheless, she did not neglect to pile up as much imported copper as possible. In this respect her task was greatly assisted by British short-sightedness. At the time of the Armistice, Great Britain possessed some half a million tons of scrap copper. By far the larger part of this metal was sold to Germany, chiefly after the advent of Hitler's régime.

¹ According to the Memoirs of Fritz Thyssen, the German industrialists and technical specialists intended to embody their criticisms in a memorandum, but Goering advised them that this would be considered as an attempt at sabotaging the self-sufficiency drive in iron ore, and would be treated as an act of "economic treason".

The invention of Buna rubber was hailed in Germany as a great scientific achievement. In reality, from an economic point of view, it is far from scientific to spend several times more labour on the production of the synthetic materials than is required for the production of plantation rubber overseas. Nevertheless, under the Four-Year Plan, Germany proceeded with the increase in the production of synthetic rubber in order to reduce German dependence for this key material on imports from overseas.

The same is true to an even greater extent concerning oil. Ever since the advent of Hitler, the German Government encouraged to the utmost the exploitation of Germany's meagre mineral oil resources, even though this was anything but a commercial proposition. In addition the production of synthetic oil by means of the Bergius process was increased considerably, and in recent years the process itself was materially improved. All this at a time when the world was suffering from a surfeit of oil and rubber, and when producers had to impose drastic restriction schemes to keep prices up at a remunerative level.

It might be argued that apart altogether from considerations of *Wehrwirtschaft* it was understandable for Germany to develop these and other hothouse industries in order to husband her meagre foreign exchange resources. As a matter of fact, Germany could well have afforded to import natural products for normal requirements. It was because of the abnormal increase in her requirements in connection with rearmament and building up war reserves that her foreign exchange position became so difficult.

The rapid development of industries engaged in the production of synthetic raw materials was largely possible owing to the immense capacity of the German machine tool industry. In addition to producing vast quantities of machine tools for the arms industries, that industry at the same time was able to produce machine tools required for the manufacture of equipment for synthetic oil plant, Buna rubber works, etc.

It is beyond doubt that if Hitler had had more patience

Germany would have been able to achieve self-sufficiency in respect of many key materials in the course of time. The increase in the production of synthetic oil during the last few pre-war years was very steep, and it seems probable that in another ten years or so Germany would have been able to produce internally all the oil she required. Admittedly, the quality of synthetic oil is not satisfactory for all essential purposes. Nevertheless, judging by the way in which Germany was able to convert war planes to the use of crude oil instead of high-grade aviation petrol, the deficiency in the quality of synthetic oil would not have presented an unsurmountable obstacle. It is easy to imagine what it would have meant to Germany to be self-sufficient in motor fuel. Those in charge of planning the German *Wehrwirtschaft* must have attempted to persuade the Fuehrer to wait until they had completed their task. Hitler preferred, however, to strike in 1939 in spite of the grave handicap of inadequate oil-producing capacity.

The extent to which those in charge of the German *Wehrwirtschaft* were planning ahead was characterised by the large quantities of oil-boring appliances imported from the United States before the war. Those who took notice of these shipments of oil-boring machinery to Germany must have been puzzled to no slight extent, for the quantity of this machinery was quite out of proportion to the potentialities of Germany's own very meagre mineral oil deposits. Some of the experts abroad must have imagined that Germany intended to embark upon the exploitation of these deposits at a cost many times that of the production even of synthetic oil. No doubt she would have been prepared to do so during the early years of the Nazi régime, when more than enough unemployed labour was at the Government's disposal. By 1938 and 1939, however, an acute shortage of labour set in, and it was clearly not worth while, apart altogether from commercial considerations, to waste labour on such explorations for the sake of negligible results, if any. Indeed, that was not the idea of the Germans. They kept the appliances until they had secured control

over the Polish and Rumanian oilfields, when they were in a position to embark upon a vast programme of exploration and exploitation, thanks to the foresight in acquiring the oil-boring machinery in time.

Planning for rearmament was extended over the economic utilisation of all raw materials available. Civilian requirements in strategic materials were ruthlessly reduced, and long before the war extensive compulsory measures were applied for the collection of salvage. In many respects, Great Britain has not yet reached the stage in the third year of the war that was reached by Germany a year or two before the war.

Above all, German import trade was scientifically planned in accordance with the interests of *Wehrwirtschaft*. Civilian imports were cut down to barest necessities. Germany confined herself as far as possible to imports for rearmament. This she did quite openly. From time to time, headlines appeared in the Press of democratic countries when some exceptionally large German purchase of nickel or cotton or oil was reported. On the whole, however, very little attention was paid to the one-sided character of German imports. There was no official pressure on producers abroad to abstain from selling strategic raw material to Germany. In 1936, when the purchase of a number of Rolls Royce aero engines by the German Government provoked an outcry, the repetition of similar transactions was discouraged. On the other hand, until the very eve of the war, nothing was done to prevent Germany from acquiring in the London market, in the British Empire and in democratic countries in general vast quantities of raw materials, required obviously for the sole purpose of conversion into lethal weapons to be used against them, or for building up a war reserve.

Germany remained the best purchaser of Canadian nickel ; she acquired a preponderant share of the South African wool trade ; her purchases in Australia, India, etc., were very substantial. Her wool purchases assume a special interest in the light of the growing volume of evidence that the German Army is suffering hardship through

the deficient material of its clothing. This hardship, which has placed Germany at a disadvantage in Russia, would have been much greater had it not been for the millions of tons of wool acquired by Germany during the last years before the war. By offering a price slightly above the market price, Germany was able to secure the lion's share in the South African wool clip both in 1938 and 1939. This was under the supreme patronage of General Hertzog's Government. The British Government was also to blame for having failed to undertake pre-emptive purchases in order to secure at least part of the wool that was to swell the German war reserves. Apart altogether from considerations of national defence economy, this should have been done in order to protect British trade from irresistible German competition resulting from the wool transactions. For Germany could only pay for the wool by increasing her exports to South Africa, and this could only be done at the expense of British exporters. This was, however, a secondary consideration compared with the fact that the wool was needed by Germany for rearmament purposes.

The idea of pre-emptive purchase was almost entirely unknown in democratic countries in the last few pre-war years. Yet timely purchases of tungsten, wolfram, molybdenum and other rare metals might have gone a long way towards interfering with German economic war plans. For years, however, Germany was in a position to buy very large supplies, practically without any competition on the part of her potential adversaries. She was able to acquire such quantities in some of these materials that after the spectacular rise in their price shortly before the war she was even able to re-sell abroad at a vast profit part of her huge stocks.

While Germany was planning for aggression, her prospective victims continued in the easy-going ways of liberal peace economy. Even when after the Austrian *Anschluss* German intentions became clear, nothing was done to prevent her from completing her preparations by limiting the raw material resources available to her. Admittedly, German financial resources for acquiring raw materials from

abroad were by no means unlimited. Given the fact that German civilian purchases were reduced to a minimum and imports were largely confined to war needs, however, a comparatively small volume of foreign exchange could go a long way. In addition, German barter methods, about which more will be said in a later chapter, enabled her largely to overcome her foreign exchange difficulty.

Utter lack of political collaboration between the democratic countries was a primary cause of the absence of concerted action. The United States and other leading raw-material-producing countries did not realise at the time the extent of the German peril, still less the extent to which they are likely to be eventually menaced by it. Their producers were anxious to sell and the German Government was the best buyer. In many key raw materials there was an unsaleable surplus, necessitating a restriction in output or the adoption of other valorisation schemes. This being so, the Governments concerned would not have thought of participating in any scheme for stopping the sale of materials to Germany even if such schemes had existed. As a matter of fact it did not occur to anyone to put forward such a scheme, for the simple reason that amidst the prevailing atmosphere of appeasement it would have been doomed to failure. Whenever a newspaper or a politician objected to some particularly large transaction concluded by Germany, there was an outcry in the German Press accusing the democratic countries of bringing about the economic encirclement of Germany. Their entirely unfounded charges were faithfully echoed in the camp of appeasers, where it was considered outrageous even to toy with the idea of depriving Germany of the strategic raw materials which she required. Considering that appeasers had been demanding that Germany should be supplied with raw materials in excess of what she could pay for, it is easy to imagine the opposition with which appeasers would have received any tentative suggestion of withholding from her materials she could afford to buy.

And yet it would surely have been justifiable to try to hinder Germany in her efforts to acquire key materials for

war purposes. The first major violation of the peace treaties, the occupation of the Rhineland in 1936, would have amply justified economic measures, which would have slowed up the pace of German rearmament. In August 1941 similar measures were applied, after much too long a hesitation, against Japan. They ought to have been applied five years earlier against Germany. After all, it was not the sacred duty of the democracies to supply Germany with materials helping her to exterminate them. It is true that any action on the part of the British Government, and, even more, concerted action by the democracies trying to deprive Germany of raw materials needed for rearmament would have caused intensely bitter feeling in Germany, and Nazi propaganda would have exploited this to the utmost. But the democracies in general, and Great Britain in particular, were accused of economic encirclement in any case, and the tone of the German Press could not have been more offensive even if its tirades had rested on some foundation of fact. Nor could Hitler have raised his voice to any higher pitch when denouncing the democracies. Since the propaganda of hate was launched in any case by Goebbels, even in the complete absence of economic encirclement, action against German purchases could not possibly have increased German determination to make war, while it would have reduced her capacity to do so.

A characteristic instance showing the contrast between German economic planning for war and the absence of it in Great Britain was provided by the German eleventh-hour purchases of raw materials in the London market. Throughout the summer of 1939, Germany was buying in London huge quantities of tin, rubber, copper and other strategic materials, paying cash for the purchases. Evidently she was converting her hidden gold reserve into raw materials for war purposes. Even in the absence of any other indication of German aggressive designs, these purchases in themselves should have been sufficient to put the British Government on its guard. Yet, until a few weeks before the actual attack on Poland, nothing was done to prevent these purchases, even though, apart from increasing Germany's

war reserve, they tended to diminish British supplies and to increase the initial strain on British shipping capacity after the outbreak of the war. And yet, judging by the headlines in the popular Press, most people must have been aware of the danger. Is it conceivable that the Government, which, after all, had many sources of information not accessible to private citizens, should have failed to realise Germany's warlike intentions or that Whitehall failed to appreciate the advantages derived by Germany from these eleventh-hour purchases? Conceivably, the experts in Whitehall were fully aware of the danger but the inertia of officialdom and red tape delayed their action. Or perhaps the forces of appeasement were too strong, and throughout the summer of 1939 they were able to prevent the Government from taking action.

It was not only in the sphere of military rearmament that Germany was gaining ground compared with Great Britain, but also in the sphere of economic rearmament. This was all the more absurd since from an economic point of view Great Britain was in an infinitely better position to rearm. While her military rearmament was handicapped by technical limitations as well as by short-sightedness on the part of the Government, and the tight-fistedness of the Treasury, there were practically no limits to the extent to which Great Britain could have rearmed economically. In addition to her vast resources in the British Empire, she could have drawn on the resources of other countries, thanks to her very substantial gold reserve. Had this been done in time, the task of the Royal Navy would have been much simpler during the first two years of the war.

In pointing out this contrast between successful German economic rearmament and inadequate British preparations it is not my object to criticise the deficiency of this country's war preparations. My primary object is to draw attention to the important part played by economic rearmament. To prevent Germany after this war from preparing for another war of aggression, it is vitally important for us to realise the importance of the economic factor among the

factors that enabled Germany to rearm in record time. Unless this is realised, the democracies might once more allow themselves to be lulled into a false feeling of security by the evidence of military disarmament even in the complete absence of economic disarmament.

CHAPTER VIII

THE ENCIRCLEMENT MYTH

EARLIER chapters have repeatedly pointed out the absurdity of German and pro-German claims that this war was brought about by economic barriers and by the economic encirclement of Germany. While the significance of the economic factor as a means for preparing for a war is not realised by most people, its significance as a cause of war is apt to be grossly overrated. Ever since Karl Marx popularised the materialistic conception of history, it has become the fashion, even among those who have no love for any other aspect of Marx's teaching, to regard the economic factor as the main cause of war. To give an example: this country has been accused by Germany of having engineered the war of 1914 in order to strangle German trade which was becoming a dangerous competitor to British export trade. The absurdity of this claim is evident to anyone who is aware that in 1914 Great Britain had an essentially pacific Liberal Government, and only entered the war with the utmost reluctance, after some hesitation; that the documents published after the war conclusively proved the responsibility of Germany and Austria-Hungary; and that, after the defeat of Germany, British trade policy aimed at assisting German export trade to recover and to maintain its place in the sun.

Nobody who glanced through Hitler's *Mein Kampf* could possibly believe that even the most sweeping economic concessions would have diverted Hitler from his aim of world conquest. It is of course arguable that he wanted to conquer for the sake of the economic advantages of conquests. It is a mistake, however, to overrate the importance of this consideration. The German people and its leaders would naturally like to live on the goods looted from conquered races. Nevertheless, it was probably obvious to most of them that world conquest could not be accomplished

in a brief space of time, and while it is pursued, the gain from the exploitation of subject races is fully absorbed by the economic requirements of the war machine ; and that consequently for years the standard of living of the German people would not stand to benefit by the additional economic resources. Even so, ninety-nine Germans out of a hundred would gladly put up with privation for the essentially non-economic benefit of increased power and the sense of glory attached to conquest. This attitude of the Germans cannot possibly be understood adequately by British people, for the simple reason that hardly anyone in the British Isles would think of embarking on war for the sake of increasing the power of the British Empire, or for the sake of the glory of winning battles. That phase was passed long ago. Even in past centuries the British overseas possessions were not acquired in wars primarily intended for conquest. The security of the British Isles was endangered by Spain and France, and in the course of wars of self-defence against these aggressors of past centuries sea power enabled Great Britain to seize their colonies. It is doubtful if even in the days of Drake any enthusiasm could have been aroused in England over a war of conquest similar to the one waged by Germany to-day.

Had Hitler never written *Mein Kampf*, the assumption that Hitler wanted war would have presupposed a knowledge of German mentality which very few people in this country possessed. But *Mein Kampf* gave Hitler's full programme. He announced his intention of conquering Europe. It was unpardonable that in spite of this democratic statesmen failed to take him seriously. It is absurd that, after Hitler has carried out his programme, there should be people who believe that he did so merely because his raw material resources were inadequate owing to trade barriers or economic encirclement.

As a matter of fact, German raw material resources before the war were very far from inadequate. Of course she could not get all she wanted — that would have been the whole world's total supply — but she could get all she needed for preparing for this war. Those who believe that

Germany was kept on short rations by the wicked or foolish democracies should remember that, from about 1937 onwards, German industry was fully employed, and therefore must have possessed all the raw materials it could possibly have needed for current requirements. Scarcity of labour during the last pre-war years in Germany was proverbial. Not only was the figure of the unemployed reduced to that of unemployables but women were induced and even forced to relinquish household duties and seek employment, and a large number of foreign labourers was imported. How could this have been the case if there had been a shortage of raw materials? Admittedly, in some instances substitutes were used which were not so good as the original commodity. On the other hand, it is equally true that, in addition to employing her industries to their capacity, Germany was rapidly building up vast commodity reserves.

In any case, no country can claim it as a right to be provided with abnormal quantities of raw material for the purpose of record rearmament. Judging by the fact that Germany had managed to rearm on an unprecedented scale and even to build up such vast reserves, it is easy to imagine how comfortable her raw material position would have been in the absence of abnormal war preparations. The complaint that Germany was prevented from obtaining even more raw material, was equivalent to saying that she was not assisted in her rearmament on an even vaster scale.

We saw in the previous chapter that Germany was able, until the very eve of war, to buy key materials abroad to the limit of her financial resources. Let us now examine how she was able to make such purchases in spite of the economic barriers by which she was supposed to be surrounded.

A small fraction of her imports was paid for with the aid of her gold reserve and foreign investments. The "cruel" Treaty of Versailles did not deprive Germany of her gold reserve. She was able to retain a fairly substantial amount, even though much of it was lost during the early 'thirties, not as a result of reparations but in connection with the

flight from the mark. In the light of the fact that whenever Germany seizes another country one of the first acts of the occupying authorities is to seize its gold reserve, the peace-makers of Versailles must now appear generous in this respect as in so many other respects. After the stabilisation of the mark and the conclusion of the Dawes Scheme in 1924, the influx of foreign capital enabled the Reichsbank to increase considerably its gold reserve, notwithstanding reparations payments. It is true that a large part of this gold was lost when, after 1931, a large part of the official gold became converted into foreign balances held by German private citizens. These reserves were drawn upon extensively under Nazi rule owing to the ruthless and efficient methods employed in forcing their owners to surrender their foreign investments to the Government. From an early stage of Hitler's régime, a hidden gold reserve was built up by such means for the purpose of financial imports in connection with rearmament. There is also reason to believe that part of the Reichsbank's open reserve was transferred to the hidden reserve. Additional gold and foreign exchange holdings were obtained later through the seizure of Austria, and the occupation of Prague was followed by the enforced surrender of the Czecho-Slovak National Bank's gold deposits. The total thus collected must have been considerable. Nevertheless, it was a mere drop in the ocean compared with Germany's imports of strategic materials during the rearmament.

Evidently, Germany was able to export on an extensive scale during that period. German exporters and authorities found means for overcoming economic barriers to a large degree. This in spite of the fact that as and when rearmament advanced the quality of German manufactures deteriorated. With the aid of heavy subsidies German exporters were able to find markets in overseas countries. As for the Continent, the special trading devices of Dr. Schacht enabled Germany to increase her exports considerably. These methods have been described many times in detail; here let it be sufficient to recall that they were largely based on the barter system, whether in the form of

actual barter transactions or exchange clearing agreements, or the Aski mark system that operated in Latin America. The substance of each of these methods was that countries which sold their goods to Germany had to buy German goods in order to secure payment. These methods were operated with great success from a German point of view, especially in South-Eastern Europe, where Germany succeeded in securing between half and three-quarters of the foreign trade of the Danubian countries.

Germany had thus enough exports to cover normal requirements, and even enough to enable her to rearm at a spectacular pace. Nevertheless German propaganda filled the ether, the German Press and the more gullible organs of the world Press with complaints about her economic encirclement. It provided her with an excellent argument in support of her *Lebensraum* agitation. She had to denounce the non-existent policy of economic encirclement in order to strengthen her claim for the monopoly over certain markets and raw material resources in certain countries. In reality, to secure control over them was not an economic necessity, but essentially a political one. From an economic point of view, Germany would have been well in a position to cover all her import requirements.

Even the rearmament drive itself would not have necessitated political control over foreign countries in time of peace. Germany was perfectly well able to manage without such control.

The main object of Germany in working up the economic grievance and agitation for *Lebensraum* was to secure a high degree of self-sufficiency in case of war. For that purpose it was essential for her to have a high degree of control over territories which have an economic system largely complementary to her own. There has never been a clear-cut definition of the territories which were regarded by Germany as her *Lebensraum* before the war. All definitions agreed in including the Danubian and Balkan States. Some writers went much further. They included Poland, Ukraine and even the whole of the Soviet Union up to the Urals, Asiatic Turkey and the oil-producing countries of

the Middle East. Other writers claimed the inclusion of the Baltic and Scandinavian States and the Low Countries. The very vagueness of the definition of the German *Lebensraum* was characteristic of the true nature of the doctrine. It was essentially a dynamic doctrine. At no given moment did official Germany define the territory which she claimed as falling within her *Lebensraum*, for the simple reason that the claim was meant to grow with the expansion of the territory of the Reich. For instance, the addition of Austria and Czecho-Slovakia, so far from reducing the territory that continued to be claimed in the *Lebensraum* doctrine, was actually followed by its increase, for the addition of Austria and Czecho-Slovakia with their highly industrialised economies reduced further Germany's self-sufficiency instead of increasing it.

The nature and extent of control claimed by Germany over her *Lebensraum* was left as vague as its geographical boundaries. On many occasions German official spokesmen and writers protested that Germany had no political ambitions in the countries which belonged to her *Lebensraum*, and that she would be fully satisfied with economic control. Nevertheless during the last two pre-war years it became increasingly evident that the growth of German economic penetration in South-Eastern Europe was accompanied by a similar growth of political penetration. German tourists and technicians have become proverbial. Even the degree of economic control claimed was not properly defined.

Most political speeches and articles dealing with the subject emphasised that Germany would not tolerate economic strangulation and encirclement by her enemies, and laid down what they and their appeaser friends abroad referred to as a Continental Monroe Doctrine. The analogy, apt as it may seem to a surface observer, is in reality thoroughly false and perverted. The object of the Monroe Doctrine was to safeguard weak Latin-American States against interference by strong foreign powers. The object of the *Lebensraum* doctrine was to enable Germany to interfere to her heart's desire with the weak Continental

countries without being handicapped by intervention from foreign powers in defence of those countries. However, the surface analogy was sufficient to lend weight to the argument which was freely quoted by Isolationists in Great Britain and in the United States.

Some German writers went so far as to admit that Germany claimed a trade monopoly in the countries of her *Lebensraum*, and that she was determined to prevent other countries from increasing or even maintaining their trade with the German *Lebensraum*. Such countries were regarded as trespassers on Germany's preserves. Nor did control over foreign trade represent the limit of German ambitions developed under the convenient *Lebensraum* doctrine. In their candid moments, German spokesmen freely admitted that Germany wished to transform the economic structure of these countries from top to bottom, in order to adjust them to her own requirements. This would mean of course that the Governments of the countries concerned would no longer be masters in their own house. They would no longer be in a position to direct the economic policy of their countries, which is, after all, one of the fundamental rights of sovereign States. For instance, Germany claimed the right to veto any further industrialisation in her *Lebensraum* and even to stamp out any industries which are inconvenient from a German point of view. She also claimed the right to plan the agricultural production in these countries which were to produce what suited German requirements.

The degree of German interference with consumption in the countries which she claimed as belonging to her *Lebensraum* tended to be even higher than in the sphere of production. After all, production is largely determined by Nature, and no amount of political pressure could induce the composition of the soil or the climate of the countries concerned to conform to Germany's requirements. On the other hand, since Germany succeeded in securing practically a monopoly over the foreign trade of these countries, she was in a position to dictate what their inhabitants should consume. She was in a position to direct to her own consumption a very large

proportion of their products, and above all, she was in a position to determine what the countries of her *Lebensraum* should import.

When dealing with the countries outside her *Lebensraum*, Germany had to conform to the requirements of her customers. Indeed, it has always been a strong point of German export trade that it has been exceptionally adaptable to local requirements, much more so than British trade. When dealing with her *Lebensraum*, however, Germany could afford to adopt a dictatorial attitude. She was in a position to veto altogether certain exports to these countries, or to fix practically prohibitive prices that discouraged the consumption of goods she did not want her *Lebensraum* to import.

In practice, German economic control over the countries of her *Lebensraum* did not reach such an advanced stage before the war. For one thing, the ambitions of Funk to achieve German trade monopoly in these countries was not fully realised, though in some instances, especially in Bulgaria, it did not fall much short of realisation. Even Bulgaria maintained, however, a certain proportion of trade with other countries, and thereby maintained a limited degree of economic freedom. It was obvious, however, that she and the other countries of South-Eastern Europe were fighting a losing battle against the stranglehold of German economic control, which was powerfully assisted by growing German political control. Nevertheless, it was fairly obvious that in time of peace Germany would never fully achieve her end unless she induced her trade rivals to disinterest themselves entirely from trade in South-Eastern Europe. This appeared to be a dangerous possibility at the time of the Munich surrender. Indeed, some members of the British Government actually made statements to the effect that Germany must be allowed a free hand in the countries of her *Lebensraum*.

Fortunately this was not the view adopted by Mr. Chamberlain himself. The only sphere in which he showed himself ready to resist after the dark days which followed Munich was in regard to the German trade drive in South-

Eastern Europe. The idea of a British counterblast that was adopted some months earlier was never abandoned, even though its translation into practical action proceeded at a snail-like pace. The mere fact, however, that the British Government refused to disinterest itself was sufficient to encourage South-Eastern Europe to resist German penetration.

With or without British approval, Germany secured for herself a major share in the trade of countries with which she had barter agreements. Those who are inclined to accept the German argument about economic encirclement should note that in relation to these countries, Germany's position was incomparably more favourable than it would have been if no economic barriers had existed. In the absence of economic barriers German exporters would have had to face foreign competition, and considerations of price and quality would have decided whether Germany could have secured the foreign exchange for the purpose of paying for imports. Under the bilateral system established by Germany, her exporters had certain markets at their mercy. The countries which could not resist the temptation to sell to Germany had to buy from her in order to receive payment. All Germany had to do was to buy and buy more from these countries. Once this was done, the countries concerned had to take whatever goods they could obtain from Germany. Knowing this, German exporters did not exert themselves to sell at low prices or to produce high quality. Countries with frozen clearing balances in Berlin simply had to buy German goods, even if they were more expensive and of inferior quality. From this point of view, German exporters were in a more favourable position than they would have been if a customs or currency union had existed between Germany and the countries concerned, for even in the internal market producers and merchants have to exert themselves to please their customers. On the other hand, in countries which had to buy German goods in order to receive payment for their goods, German exporters were in a position to dump whatever goods were not wanted either at home or in other foreign markets.

It is necessary to emphasise, therefore, that economic barriers did not invariably work against Germany. In so far as they led to bilateral arrangements with her, they worked in her favour. By means of barter agreements Germany broke through economic barriers raised against her, not only in Central and South-Eastern Europe, but also in Northern Europe, Latin America and some of the British Dominions. This largely explains her ability to secure the wherewithal for her imports of raw materials for rearmament. At the moment when Germany was claiming her *Lebensraum* she practically had her *Lebensraum*.

Nevertheless, in spite of her progress towards monopoly over the foreign trade of the countries belonging to her *Lebensraum*, it was obvious that economic control alone would not have been sufficient for her to secure all she needed. The extent to which Germany wished to exert her influence was well in excess of what could possibly be achieved without full military domination. In order to obtain the maximum economic advantages from her *Lebensraum*, it was essential for Germany to obtain a curtailment of the consumption of the population of the *Lebensraum*. This could only be done to the extent she desired it through complete political and military control.

It cannot be emphasised sufficiently that in time of peace and in the absence of abnormal rearmament requirements there was no need for Germany to possess any special *Lebensraum*. The mere fact that she has extensive interests in the trade of certain countries is not in itself an acceptable basis for a claim for economic control, let alone political control. Notwithstanding economic barriers, the world absorbed sufficient German goods to enable Germany to satisfy her normal and essential import requirements. If in spite of this, Germany put forward a *Lebensraum* doctrine, it was partly because her imports served the abnormal purpose of speedy preparations for war, and partly because she wanted to achieve a high degree of self-sufficiency in time of war, when her overseas supplies would be in danger of being cut off.

Hitler was determined to make war. He had, therefore,

to provide for alternative sources of materials the overseas supplies of which would be cut off by British blockade. This, and not economic considerations, was the real foundation of the *Lebensraum* doctrine. From a purely economic point of view, there was certainly no reason for Germany to import South-Eastern European products at a price which was well above the world market price. Germany preferred, however, to secure for herself the resources of countries that could not be cut off by naval blockade.

Even though Germany was able to import from and export to overseas countries, she had certain special advantages in trading with the countries of South-Eastern Europe. Germany was in a position from 1937 onwards to bring subtle political pressure to bear on them. Notwithstanding Germany's skill in manipulating the bilateral system, she would have been unable to secure such a degree of control over the trade of overseas countries as she actually secured over the trade of South-Eastern Europe. From the point of view of German rearmament, it was therefore highly beneficial that South-Eastern Europe produced much of the material required by Germany either for rearmament or for essential civilian purposes which had to be satisfied. Had it not been for this fact the rearmament of Germany would have had to proceed at a slower pace, owing to the difficulties in satisfying these requirements from overseas, in addition to her existing overseas purchases. It was largely because of the ease with which Germany secured the bulk of the exports and produce of South-Eastern Europe that she was able to rearm at a record pace.

CHAPTER IX

EUROPE UNDER THE "NEW ORDER"

THE *Lebensraum* theory was put into full operation in the countries which had the misfortune to be conquered by Germany. Their conquest facilitated German efforts to take the full benefit from the complementary character of their economies to that of Germany. At the same time, it also enabled Germany to increase the extent to which countries of her *Lebensraum* were complementary to her economy. Already during the period of so-called peaceful penetration these countries were gradually compelled to sell the bulk of surplus to Germany and to buy only what Germany chose to sell them. Nevertheless, from a German point of view, the system did not operate perfectly. There were several snags. First of all, Germany did not produce everything which the countries of her *Lebensraum* required. They depended on imports from other countries for essential raw materials for their industries, and also for foodstuffs which, without being absolutely essential have come to be regarded as such. Germany was unable to supply them with cotton, metals, tea, coffee, oranges, lemons, etc. Consequently, if she aimed at acquiring a monopoly of their foreign trade, she had to sacrifice some of her own resources to satisfy these needs. Otherwise, the countries of her *Lebensraum* would have had to retain some direct trade with non-German countries. With the utmost reluctance, Germany had to re-export to these countries, before their conquest, part of the raw materials and food she imported from overseas.

Another snag in the smooth working of the *Lebensraum* system before the conquest of the countries concerned was that Germany was unable to spare everything they needed. Being engaged in rearmament, she was unable to supply the countries of her *Lebensraum* with much-needed capital goods. Consequently, these countries had to maintain a

certain amount of trade with countries which were in a position to export machinery and other similar materials including armaments.

Yet another snag was the existence of industries in the countries of Germany's *Lebensraum* some of which produced goods which Germany could easily have produced and spared for them. These "superfluous" industries were using up raw materials which would have been available for German industries. All this was most unsatisfactory from a German point of view, and one of the main objects of German policy before the war was to prevent further industrialisation and as far as possible to de-industrialise these countries.

Finally, the surplus produced in the countries of Germany's *Lebensraum* was not nearly large enough to satisfy German requirements. These countries produced goods which were not needed by Germany, which meant that they wasted their productive capacity from a German point of view. What is more, the population of these countries consumed far too much of the goods which were needed by Germany so that the exportable surplus was not nearly large enough.

So long as the countries of Germany's *Lebensraum* retained independence Germany was unable to force them to eliminate these snags. Once, however, they became either conquered or submitted voluntarily to full German control, there was a fundamental change. It was the object of Hitler's "New Order" to bring about the necessary adjustments. Indeed, the "New Order" may be regarded as the *Lebensraum* doctrine carried to its logical conclusion. Admittedly, for the duration of the war, it was necessary to postpone the scientific readjustment of the entire economic system of the conquered countries. To some extent the adjustment was proceeded with, but to a large degree this aim had to be subordinated to the overriding necessity of enlisting the productive capacity of the conquered countries in the service of the German economic war effort. Keen as the Germans were to de-industrialise the conquered countries, they did not interfere with the muni-

tions industries which could be used for her war production. To dismantle the arms factories and to re-establish them in Germany would have meant delay, and a waste of valuable labour. Consequently, while some of the civilian industries were deprived of machinery which was transferred to Germany, arms factories were allowed to continue, and had to carry out orders for the German armed forces. Thus it is that the Schneider works at Le Creusot in occupied France and the de Wendel works at Clermont-Ferrand in unoccupied France were allowed to continue the production of arms — for the German Army. Indeed, in the immediate interests of war requirements Germany actually expanded the arms industry of Poland contrary to the principle of adjusting the economies of conquered countries to that of Germany. But then possibly the explanation of this is that Germany intends to exterminate the Polish race and to treat Poland as German territory.

Should Hitler succeed in consolidating his rule over the Continent by concluding a peace treaty which would leave him in possession of his conquests, the fundamental principles of the "New Order" would be applied in full. Germany would then endeavour to reorganise the economic system of conquered countries with the dual purpose in mind: to make Europe, as far as possible, self-sufficient from overseas countries, and to make Germany the workshop of a largely agricultural Europe.

It is amusing to watch the pretence of "Europeanism" developing in Nazi propaganda. The real aim remains, of course, the aggrandisement of the *Herrenvolk*. Nevertheless, more recent statements of Hitler and the lesser spokesmen of his régime claim that the self-appointed task of Germany is to ensure security, power and prosperity for Europe. They are at pains to pretend that German and European interests are synonymous. Anyone who dares to criticise Germany is accused of being anti-European. The economic "New Order" is claimed to be able to secure prosperity also for the subject races, even though, when speaking for home consumption, the Germans openly admit that the *Herrenvolk* is entitled to the lion's share of

everything. It may appear absurd that German propaganda should even attempt to make the subject races believe that their interests would be safeguarded and that they would stand to benefit by the consolidation of German rule in Europe. After all, there are the all-too-obvious and painful facts of their exploitation by the German occupation authorities, facts that no amount of propaganda, however skilfully conducted, can explain out of existence. However, the resources of Dr. Goebbels and his assistants are inexhaustible. They have elaborated a formula according to which the benefits derived from the efficient organisation of the economies of the conquered countries and the division of labour carried out by Germany would be so immense that, even though the *Herrenvolk* would retain the prior claim to these benefits, there would be enough left over to secure for the subject races an increase in their standard of life as compared with pre-war days. Very few, if any, inhabitants of conquered countries believe in such fairy tales. Nevertheless, it would be idle to deny the supreme skill of the attempt to make them believe.

It is indeed difficult to imagine how the subject races would stand to benefit by the adjustment of their economies to that of Germany. As far as the industrialised countries of Western Europe are concerned, the disadvantages are only too obvious. These countries would become de-industrialised, which would necessitate a decline in their standard of living. The same is true concerning countries with a highly developed agriculture such as Denmark, Norway or Holland. The aim of Germany in these countries is to discontinue dairy farming and other higher forms of agriculture and to compel them to concentrate on growing wheat and other similar products. The idea is that higher forms of agriculture should be reserved for the *Herrenvolk*. German wheat requirements would be satisfied from the countries of her *Lebensraum* and the population of these countries would have to be satisfied with a lower standard of living.

As far as the agricultural countries of Eastern and South-Eastern Europe are concerned, their disadvantages

under the "New Order" are less obvious though none the less real. Admittedly, under the German régime the exploitation of their mineral and forest resources would become intensified. It may be assumed that these resources would come under German ownership, and that they would have to be worked for starvation wages. The necessary labour reserve would be created through the enforced conversion of the present system of peasant farming to a more efficient farming on a larger scale. This would of course throw millions of farmers and farm workers out of work, and they would be only too ready to work the German-owned mineral resources in return for low wages. The alternative would be for them to become unskilled labourers in the Reich.

When Germany talks about the self-sufficiency of Europe under the "New Order" she means that the subject races would simply have to do without raw materials and goods imported from overseas. De-industrialisation would also solve largely the problem which caused much concern during the period of peaceful penetration, that of satisfying the demand for goods that Germany can ill afford to spare. Germany will simply refuse to supply the subject races with capital goods unless their import happens to serve her interests.

Germany would also be in an excellent position to dump on the subject races all the goods which she can spare. The conquered countries will no longer be allowed to produce these goods. They will be forced to produce whatever Germany needs, and above all they will be forced to consume less of the goods needed by the *Herrenvolk*. This is admitted quite openly by Nazi spokesmen when speaking for home consumption. It is also confirmed by the marked difference between the nations in Germany and in conquered countries.

As a result of the full application of the "New Order" German-controlled Europe could become self-sufficient to a very large degree. The tens of millions of workmen thrown out of employment by de-industrialisation of the subject races and by changes in their agricultural system would

supply all the unskilled labour needed in the production of synthetic materials. The efficient organisation of their agriculture and the increased production of their mineral resources together with the reduction in the volume of consumption by the subject races, would materially reduce the deficiency in raw materials which would have to be imported from outside Europe. Within Europe, the division of labour would be carried out according to plan. Germany would become the arsenal and the workshop of German-controlled Europe. The subject races would have no other markets for their products in so far as they are needed by Germany, nor alternative sources from which to import their manufactures.

Once this economic reorganisation is completed, Germany would be in a position to embark on the conquest of the rest of the world. She would be well in a position to face a prolonged war, thanks to her success in making Europe self-sufficient by making the economies of the subject races complementary to her own economy. Her economic rearmament would be completed, and she would be largely immune from the effects of blockade or other methods of economic warfare.

Already during the course of hostilities Germany has made good progress in the desired direction, and even though the immediate needs of her war effort have interfered with the full application of the "New Order" the degree of self-sufficiency in Europe has undoubtedly been increased.

Germany is doing her utmost to make the economies of the conquered countries dependent on her economy. Every evidence points towards a supreme effort to bring about a high degree of "inter-marriage" between the economies of the conquered countries and that of Germany. To a large degree this has already been accomplished, but if Germany remains in control of the Continent for some years the process will reach a much more advanced stage. To give a few concrete examples: If Germany succeeds in de-industrialising France, or at any rate in materially reducing French heavy industries, then Lorraine iron ore can only

be bought by German industries. If hundreds and thousands of acres of land in the Danubian States are converted for the production of soya beans, then Germany will be the only conceivable customer for these products. Danish agriculture has already been converted to such an extent that it would take years before Anglo-Danish trade could reach once more its pre-war level. Danish live-stock has been largely liquidated so that Denmark could not resume for some time dairy farming that was the basis of her export trade to Great Britain. She had to convert her economy for the production of wheat, for which Germany is the natural market.

In the sphere of finance, the "inter-marriage" has been accomplished to a considerable degree. Through the acquisition of control over companies in conquered countries, German industry and finance carried out extensive amalgamation schemes, as a result of which the companies in occupied countries now form part of a group controlled from Germany. This course will lead to extreme rationalisation which will increase the interdependence of the companies forming the group. If a Belgian or French company is made to specialise in the production of part of a manufacture only, while the rest of the process is completed in Germany or other German occupied countries, then the French or Belgian company will remain dependent on the group-arrangement made by Germany even after the cessation of military occupation.

Beyond doubt the links thus forged, strong as they are, are by no means unbreakable, and it is sheer nonsense to emphasise the difficulties of post-war disentanglement by talking about "the impossibility of unscrambling the eggs". There is, indeed, a great deal of talk of this kind, not only in Germany but also among appeasers in Great Britain. Their attitude will be examined in greater detail in the next chapter. It is beyond doubt that already at this stage the ground is being prepared for the agitation against the economic disintegration of German-controlled Europe.

For the present, Germany is using a more powerful argument in favour of her economic control over the

Continent. It consists of her armada of 'planes and her Panzer divisions and the power of her fighting machine in general. This argument is both more straightforward and effective than any amount of sophistry about unscrambling eggs. Nevertheless the latter might be useful, and increasingly so, as and when the relative strength of the German armed forces compared with those of her opponents declines. The stage will be reached sooner or later when German war 'planes and arms are no longer in a position to defend German-controlled economy in the Continent. At that stage it will be useful to be able to produce a theory by which it will be attempted to prove that in addition to brute force Germany has also arguments on her side in favour of European economic unity. What this argument may be worth will be seen in the next chapter.

CHAPTER X

THE THEORY OF ECONOMIC APPEASEMENT

WE saw in the foregoing chapters the extent to which Germany has been helped in the preparation and execution of aggressive and expansionist policy by the effective organisation of her economy for war purposes. We saw that the original fault was the failure of the Versailles Treaty to make provisions for the economic disarmament of Germany. We saw that even during the non-aggressive Weimar Republic there was a considerable expansion of German potential capacity for rearming, partly through the expansion of her machine tool industry and partly through the extensive rationalisation of her heavy industries and other industries capable of producing war material. We also saw that between the advent of the Hitler régime and the outbreak of war German economic rearmament made rapid headway as a result of her self-sufficiency drive and the partial control over the trade of the countries belonging to her *Lebensraum*. Finally, we saw that since the beginning of hostilities the application of full economic control over conquered countries under Hitler's "New Order" greatly assisted the German economic war effort.

Beyond doubt the economic rearmament of Germany has played as important a part in enabling her to conquer a number of countries as the initial superiority of her air force or her Panzer divisions, or as the superiority of her military planning, organisation and execution of strategic plans. This fact is not yet adequately realised. While there are many people who demand that after her defeat Germany should be deprived of her air force, her tanks, her General Staff, her Siegfried Line and other fortifications, the majority of the same people would like to leave Germany economically rearmed. Some of them would concede the necessity of the dismantling of the German arms industries,

though even in this respect they are confronted by the demand that Germany should be allowed to remain economically equal to the victorious Allies. When it comes to a suggestion of far-reaching economic measures to complete the military disarmament of Germany, a large section of British opinion appears to be strongly opposed to any such measures.

On the basis of the principle of economic equality which the Atlantic Charter is claimed to imply, a large and growing school of economic appeasers demand that Germany should be allowed to develop her resources and to build up her industries freely, and without any interference on the part of the victors. Subject to limitations in the production of war materials, she would thus be allowed to repeat the experience of the period between the last war and the advent of Hitler's régime and prepare in advance for another rearmament drive, conceivably even more sweeping than that of 1933-39. She would be allowed to expand her machine tool industry further and proceed towards economic self-sufficiency by the further development of her production of synthetic oil, rubber, etc. What is more, she would be allowed, if the appeasers have their way, to retain a high degree of economic control over the Continent and thereby to secure a high degree of immunity from the effects of future naval blockade.

The main arguments of these economic appeasers are as follows :

- (1) Since the military disarmament of Germany places her in an inferior position, the bitter feelings which this might arouse should be allayed by generosity in the economic sphere.
- (2) Germany must be allowed to remain prosperous because, without her prosperity, Europe and the rest of the world cannot be prosperous.
- (3) Germany is best placed to reorganise the resources of South-Eastern Europe and the economic systems of the Continent in general, and should be allowed to do so.

In earlier chapters of this book we dealt extensively with the question of whether lenient treatment of Germany would be the best way of securing Europe against a repetition of her aggression. We need not, therefore, go once more into the details of this controversy. Let it be sufficient to point out that the enforced disarmament of Germany will be one of the major factors tending to secure the prosperity of the German nation, or at any rate to compensate her for any other hardships to which she would have to submit in the interests of European security. From a material point of view Germany would be better off disarmed than she would be armed. Once she is defeated, there will be no need for the Allies to buy her consent for being disarmed at the price of allowing her to retain her freedom to make preparations for rearmament.

The argument that it is essential to keep Germany prosperous after this war as a means of securing world prosperity is probably the most popular argument among appeasers. It has even been adopted by members of the Government, who repeatedly stated that there can be no prosperity in Europe and in the world unless the German nation is prosperous after this war. The argument is not altogether new. We encountered it before the last war, when Sir Norman Angell's book *The Great Illusion* sought to convince the world that in modern conditions war does not pay, since it is impossible to squeeze reparations out of the defeated nation to an extent which would materially deteriorate its prosperity. The argument was revived after the end of the last war when it was put forward with much convincing force by Mr. J. M. Keynes. His arguments against the reparation clauses of the peace treaties were based largely on the assumption that, by crippling German economy, the Allies would prevent the development of any real prosperity in the world. He was right, but for the wrong reason. Reparations did play a part in creating conditions which were responsible for the economic crisis of 1931 and for the political crisis of 1939, not because they prevented Germany from recovering her economic prosperity, but because they failed to do so. We saw in earlier

chapters that in spite of reparations, or because of them, Germany was able to borrow on an extensive scale from foreign countries and thereby to develop her potential capacity for arms production. Had reparations succeeded in crippling Germany, they would have postponed the evil day on which Germany was ready to repeat 1914, even if they had been unable to prevent her altogether from rearming.

In any case, the suggestion that in the interests of prosperity it would be worth while to forgo any measures which would otherwise be considered necessary for preventing another war, would be the height of absurdity. No amount of prosperity can compensate mankind for the suffering involved in modern warfare. If by sacrificing prosperity it would be possible to prevent another war, then we should unhesitatingly cast our vote in favour of peace-cum-poverty. Fortunately, the dilemma does not arise. It is quite possible to conceive a high degree of prosperity all over the world and Europe, even though Germany were suffering from great poverty. To reduce to absurdity the argument to the contrary, all we have to do is to imagine that, as a result of a volcanic eruption, Germany disappeared from the earth altogether, and her present territory became waste land with no hope of ever restoring it to productivity. Would that preclude the possibility of the world or of Europe becoming prosperous ? It would doubtless present some problems of transport in trade relations between East and West Europe, but otherwise the world would settle down and carry on as usual after a period of adjustment. The producers of other countries would definitely lose eighty-six million consumers, but on the other hand they would also lose eighty-six million rivals competing for trade in other parts of the world.

In any case, there is of course no question of the complete elimination of the German people either as consumers or producers. What is more, as we shall see in later chapters, the economic restrictions which are necessary in order to complete German disarmament need not reduce the

German people's standard of living to any appreciable extent, if at all. The industrial genius and organising capacity of the German nation is certain to find new lines of production to compensate itself for the lines which should be restricted under the peace treaties. But even if the restrictions necessary for the supreme consideration of securing world peace affected German prosperity, it would not prevent other countries from achieving an increased degree of prosperity. The degree of economic interdependence of countries can be exaggerated. After all, for a long time after the last war, Russia practically ceased to count in the international trade of the world, and the disappearance from this sphere of a nation of a hundred and sixty millions did not prevent other countries from improving on the degree of prosperity attained in 1913. Trade in Great Britain remained depressed throughout the 'twenties, which did not prevent the United States from achieving during that period new high records of prosperity. Indeed, Britain's poison was to a very large degree the meat of her trade rivals. All industrial countries benefited by the self-imposed hardship of over-valuing sterling, which was the main cause of the prolonged depression in Great Britain.

In pointing this out, I have no wish to minimise the advantages of achieving prosperity through co-operation; prosperity which would be shared by all. It is necessary, however, to guard against taking a one-sided and exaggerated view which might lead to the conclusion that there can be no world prosperity unless Germany is admitted to full equality in the economic sphere, even to the detriment of security.

There is of course no question of deliberately reducing the German nation to abject poverty. On the other hand, it is necessary to realise that appeasers, in opposing any economic measures which are demanded for the sake of European security on the ground that they would impair German prosperity and thereby jeopardise world prosperity, are on untenable ground.

Yet many economic appeasers go much further than simply demanding freedom for Germany to prepare for

another rearmament drive. Not only are these appeasers opposed to restrictions on German machine tool industries or heavy industries in general, and on the production of synthetic raw materials, but they actually advocate peace terms which would allow Germany to retain part of the fruits of her series of aggressions. There is a widespread agitation in favour of allowing Germany to retain a certain degree of economic control over the Continent even after her defeat. This is advocated partly as a sop to Germany for the loss of her political control over Europe. What is more absurd is that this solution is claimed to be in accordance with the interests of non-German countries on the Continent. Some appeasers maintain that, in the absence of political control, the "New Order" would be a blessing to all countries participating in it. They fail to realise that the application of the economic aspects of the "New Order" would in fact secure for Germany a high degree of political control over the countries concerned, and that it would enable her to prepare for another attempt to recover her political and military control.

The economic appeasers also fail to realise that the division of labour brought about by the "New Order" secures unilateral advantages for Germany at the expense of the other countries. We saw in the previous chapter that this division of labour assumes largely a form which would make Germany the industrial workshop of Europe by de-industrialising other countries and by adopting agricultural systems which are calculated to lower the standard of living of their agricultural population. Many appeasers are simply hypnotised by the slogans of rationalisation, international division of labour and the creation of a vast customs territory — a kind of economic United States of Europe. What they fail to realise is that such division of labour does not by any means serve the interests of these territories which will be forced to be satisfied with a more primitive method of economy. It was the ideal of the Manchester School of the nineteenth century that Britain should remain the workshop of the world and that other countries should confine themselves largely to agri-

cultural production which is more suited to their conditions. Experience since has proved that a partial industrialisation of the agricultural countries stands to increase the standard of living of their population without unduly affecting British industrial interests. If an agricultural country becomes industrialised, it may cease to buy from abroad large quantities of cheap goods, but it will be able to afford to buy smaller quantities of better quality. It is by no means detrimental to the legitimate economic interests of Germany that the countries of South-Eastern Europe should become industrialised. By being able to produce essential manufactures, they would of course become less dependent on Germany. On the other hand, they would be in a position to buy luxuries from her.

What appeasers refuse to realise is that under the "New Order" the economic system of the Continental countries is simply adjusted to that of Germany. There is very little give-and-take in this adjustment, which is not settled by freely negotiated agreements but by the unilateral decisions of Germany.

Should it take several years before Germany is defeated, the process of adjusting the economies of conquered countries to that of the Reich will have reached a very advanced stage. Even now the number of economic links forged between Germany and her victims is very considerable, and it would be idle to deny that the severance of these links through the restoration of the *status quo* would entail considerable economic upheaval. Nevertheless, the analogy popular in German propaganda, by which the process of disentanglement is described as one of unscrambling eggs, is false. Obviously it is physically impossible to unscramble eggs, while there is no insurmountable obstacle to the disentangling of the economic system created under the "New Order". It is feasible to re-establish, financially, industrially and agriculturally, the economic systems that operated in Continental countries prior to the German invasion. Admittedly, this would not be achieved without very serious sacrifices. But it is for Germany to shoulder the burden of the cost of restoration. About this more will be

said in Chapter XV dealing with reparations.

The economic disintegration of Europe after the liberation of countries at present under German occupation is sometimes compared with the economic disintegration of the Austro-Hungarian monarchy after the last war. The comparison is hardly fair. After all, the economic system of the Austro-Hungarian monarchy was the result of the evolution of centuries while Hitler's "New Economic Order" is being forced on Europe artificially in the course of a few years. Even the disintegration of the Austro-Hungarian monarchy was not the major disaster in world history that many opponents of the peace treaties present it to be. It ought to be realised that, for decades before the last war, it was the principal grievance of Hungary that she had to maintain customs union with Austria. As a result, her more primitive economy was entirely exposed to the more highly developed Austrian economy, and Hungarian industries never had a chance to develop adequately.

It has become fashionable to regard the economic disintegration of the Austro-Hungarian monarchy as a disaster to all nations concerned. As a matter of fact, with the exception of Austria and Hungary, which suffered through the curtailment of their territories, all the Succession States were highly satisfied with the new arrangement. It is a popular idea in certain British circles that all these countries are in dire need of being looked after by some powerful country. A leader appearing in *The Times* early in 1941 mortified many of us by declaring that South-Eastern Europe has to be controlled either by Germany or by Russia. Yet it seems reasonable to assume that they know best what suits their own interests. All they want is to be left alone, and to be allowed to work out their salvation in their own way. Even if the pro-"New Order" propagandists were right in supposing that German control would make for a higher standard of living, these countries would certainly prefer their independence. No amount of economic prosperity would compensate them for the loss of their freedom. Before their invasion they might have been inclined to yield to the temptation of allowing Germany to

acquire a monopoly of their trade, for the sake of obtaining better prices for their products, or for the sake of accelerating the exploitation of their natural resources. The experience of German control since 1940 must have made them realise, however, that it is not worth their while to admit any increase of German control for the sake of commercial benefits derived from it, especially since these benefits have proved to be more apparent than real even from a commercial point of view.

From the point of view of European peace, it is obvious that economic appeasement in the form of allowing Germany to retain economic control over the whole or part of the Continent would be an unpardonable blunder. It would enable Germany to reduce her dependence on imports from overseas, and therefore it would reduce for her the risk attached to embarking on another war. Even if the perpetuation of the economic aspects of the "New Order" were in accordance with the immediate economic interests of the Continent — and that is certainly not the case — it would be our task to persuade them to relinquish these apparent advantages for the sake of the vital considerations of security from German aggression. Yet some economic appeasers believed that it should be one of the tasks of this country at the peace conference to persuade the reluctant Continental countries to fall in with some scheme of European "New Order" under German guidance.

Should economic appeasers have their way, Germany would be provided with all the means for rearming once more, and for repeating her bid for world domination. She would be in a position to build up new arms industries in record time, and to secure most of the raw materials and foodstuffs she needs either by means of synthetic production within the Reich or by control over the reorganised and specially adapted economies of other Continental countries. This would mean the maximum of temptation coupled with the maximum opportunity. If this system is adopted, the military disarmament of Germany would be worse than useless. It would irritate the German people and humiliate its martial pride without depriving it of the means for

seeking a remedy against its "grievance".

Military disarmament without economic disarmament would be, if anything, a less satisfying solution than economic disarmament without military disarmament. If defeated Germany were to be allowed to retain possession of all her existing war materials while she were to be deprived of the means of producing new war materials, she would be in a less favourable position to repeat 1914 and 1939 than she would be if the reverse solution were to be adopted. For in a few years the existing mass of war materials would become obsolete owing to progress in military science. By the time defeated Germany were ready for another blood-letting, the once formidable war 'planes and tanks would be hardly more than museum pieces. Thanks to thorough-going economic disarmament, on the other hand, it would be a slow and difficult task for Germany to replace her obsolete war material by more up-to-date lethal weapons. The fact that she was allowed to retain her arms would keep the democracies up to the mark. The moment Germany began to rearm they would take up the challenge and would be at an advantage owing to her economic disarmament.

The above argument should not by any means be regarded as a plea for allowing Germany to retain her arms. It is only meant to show the absurdity of confining her disarmament to a strictly military sphere. Germany must be disarmed both militarily and economically in order to secure peace. This is what appeasers refuse to understand or admit. They imagine that military disarmament in itself would be sufficient and hope to secure the goodwill of the German people by promising them full economic equality. How little they know the true character of the German people! Even the highest degree of prosperity through economic equality would never be regarded in Germany as compensation for the loss of power and glory. When Bismarck described agreements arrived at through negotiation instead of by war or threat of war as "*Kuhhandel*", he expressed the true feelings of the German people. If Germany were to be given prosperity as an act of grace by

the victorious Allies, the German people would never be satisfied with that prosperity which was not achieved by the force of arms. Indeed, the predominant majority of the German people would prefer to retain armed force and temporarily forgo prosperity, for the sake of being able to make themselves felt as the controlling force in Europe. If Germany is forced to disarm, the feelings of the German people will alternate between self-pity and lust for revenge. No amount of economic concessions would be capable of inducing the German people to renounce for ever the hope of becoming once more the most formidable military nation of Europe. Economic concessions and the absence of economic disarmament would simply assist Germany towards recovering her armed power.

According to economic appeasers, there is no intermediate solution between condemning the German race to extermination through starvation and allowing it to retain its full economic power. It is the main object of this book to prove that there is an intermediate solution and that Germany could be deprived of her economic war potential to a large degree, without thereby destroying the means of existence of the German people.

CHAPTER XI

THE INDUSTRIAL DISARMAMENT OF GERMANY

WE saw in Chapter VI the important rôle played by the industrial capacity of Germany in enabling her to rearm at a rapid pace. It is now evident that the peacemakers of Versailles made a fatal mistake in failing to secure a thorough-going industrial disarmament of Germany. On the basis of the experience of the last eight years, there would be absolutely no excuse for repeating this mistake. We now know a great deal more than the politicians and technical experts of the Paris Conference did. We now know that with the aid of a highly developed machine tool industry, Germany is in a position to reconstruct her arms industry in a very short time. We also know that, with the aid of her growing capacity for producing synthetic materials, Germany would be in a position to rearm in spite of any limitations imposed on her imports either by lack of foreign exchange or by any measures of embargo. In possession of this knowledge, it is our duty to elaborate a system under which Germany would be deprived of her industrial capacity with the aid of which she would be in a position once more to disturb world peace.

It goes without saying that German arms industries will have to be dismantled completely. This time the work must be done much more thoroughly than it was after the last war. It is not sufficient to remove only the machinery actually engaged in arms production. The total capacity of German heavy industries will have to be reduced to a corresponding extent. This means that all the plant engaged in the production of war material at the time of the armistice will have to be dismantled and the factory buildings demolished. The machinery thus dismantled will have to be removed abroad, or, if no use can be found for it, it will have to be scrapped. The scrap metal obtained by such means, and also through the destruction of all actual

war materials and fortifications, will have to be removed from Germany. Similarly, any stocks of metals available in Germany at the time of the armistice in excess of current civilian requirements will have to be removed.

It is argued in some quarters that the dismantling of arms factories after the last war was a mistake as it enabled Germany to construct much more up-to-date plant instead of those which had been dismantled. We saw in an earlier chapter that in the Krupp arms works the old-fashioned crucible furnaces which were scrapped after the last war were replaced later on by much more efficient electrical furnaces. This argument, which could be reinforced by other similar examples, would carry some weight if Germany were a liberal capitalist country. In that case, owners of arms works would have been reluctant to scrap old-fashioned plant, because to do so would mean substantial capital losses. Since, however, under the new régime a high degree of State Socialism has been adopted in Germany, there is no reason whatever to suppose that German rearmament would have been handicapped by the existence of old-fashioned plant had they been allowed to retain it after the last war. In all probability new modern plant would have been constructed *in addition* to the old-fashioned plant, and the latter would have continued to produce simultaneously with the modern plant, until the shortage of labour at an advanced stage of the rearmament necessitated the abandonment of the old-fashioned plant. On balance, therefore, arms production would have proceeded even faster than it actually did during the early years of rearmament if arms plant had not been destroyed after the last war.

It is not enough, however, to destroy the plant engaged in arms manufacture. It is equally important to remove as far as possible the possibility of reconstructing these plants. To that end, it is of the utmost importance that the machine tool industry of Germany should be dismantled to the extreme limit of possibility. We saw in earlier chapters that one of the main reasons why Germany was able to rearm in record time was that her machine tool industry was able to produce the necessary machine tools on a very

large scale. Conversely, Great Britain and France were gravely handicapped in their efforts to catch up with German rearmament by the inadequate capacity of their machine tool industry and the difficulty of buying sufficient machine tools at short notice from the United States. This experience teaches a very clear lesson. The machine tool industry of Germany must be transferred to Allied countries. Germany must be made entirely dependent on imports for her requirements of machine tools. From this point of view, it is impossible to discriminate between military and industrial requirements, since the machine tool industry can easily switch over from working for civilian requirements to satisfying military requirements. For this reason it would be unwise to leave Germany in possession of even a limited machine tool industry for the purpose of satisfying her normal civilian requirements.

This measure would undoubtedly impose on Germany a certain amount of disadvantage, but it would be by no means intolerable. It is not an indispensable necessity for a highly industrial country to possess a machine tool industry of its own. Before the war, the British machine tool industry was highly inadequate to cover normal civilian requirements ; although in some lines there was even an exportable surplus, in many other lines it was necessary to import machine tools from the United States and Germany. And yet during that period before the beginning of the armament race, British industries were largely static and their requirements barely exceeded those of normal replacement of worn machine tools.

The Soviet Union provides an even clearer example in support of the contention that the existence of a highly developed machine tool industry is not an absolute necessity for an industrial country. During the fifteen years that preceded the war, the Soviet Union underwent a spectacular industrialisation. The pace of her industrialisation was probably entirely without precedent. Yet it was possible to carry out the schemes of the Five-Year Plans without possessing any machine tool industry of importance. Practically all machine tools were imported from Germany,

the United States and Great Britain.

On the basis of this experience it seems safe to conclude that Germany will be able to maintain and even to expand her civilian industries without being able to manufacture at home the machine tools necessary for that purpose. For her, the machine tool problem will merely be a problem of foreign exchange. We propose to examine this problem in a later chapter.

I do not seek to minimise the practical difficulties my proposal encounters. There is of course a possibility of converting for arms production some of the machine tools in Germany engaged for civilian purposes. There are certain machine tools, such as those used for rifling, for instance, which can only be used for arms production. There are, on the other hand, many types of machine tools which can be used for military as well as civilian requirements, or can be converted for military requirements. There are also machine tools which, while intended for civilian requirements, can be used for the manufacture of machine tools for arms production. It is difficult to see how this problem can be adequately dealt with otherwise than by the complete extermination of German industries employing machine tools. Even if this extreme solution were to be rejected, it would be essential to limit the capacity of such industries and to make them subject to strict inter-Allied supervision.

The occupation authorities would also have to keep a watchful eye on the repair workshops attached to factories to prevent their capacity being developed to an extent that would enable the Germans to convert them into machine tool factories at short notice. The system would not be 100 per cent foolproof. But it would gain for the democracies valuable years by handicapping and delaying Germany's rearmament.

It is of equal importance to dismantle the industries engaged in the production of synthetic raw materials. In the predominant majority of cases these industries have no economic justification. It is clearly absurd that a country should waste labour on the production of synthetic

rubber; when at the cost of much less labour the necessary quantities of rubber can easily be produced on existing plantations in tropical countries. It is even more absurd that a country should develop the production of inferior synthetic textiles when there are vast possibilities of developing the production of natural textile materials.

There is admittedly some scientific justification for the development of synthetic oil, owing to the fact that the known mineral oil resources of the world are likely to be exhausted in the not too distant future. Nevertheless, while the economic argument may be in favour of synthetic oil production as a means of slowing down the exploitation of natural oil resources, from the point of view of world peace it is absolutely essential that Germany should not produce synthetic oil. In the absence of an adequate synthetic oil industry, Germany would have been unable to embark upon a war in the age of mechanical warfare. It is true she accumulated large stocks of oil before the war and relied on seizing the stocks and oilfields of conquered countries. Nevertheless, in the absence of a substantial domestic oil production the risk of depending on the large but limited supplies thus obtained would have been too great.

It is not sufficient to dismantle the German synthetic oil plants alone. It is also necessary to dismantle oil refineries. While at present German-owned mineral oil resources are negligible, it is conceivable, even though improbable, that they might be developed into an important factor in her oil position. What is more likely, in a future war as in this war, is that Germany might gain control over foreign oilfields. The elimination of oil-refining industries would delay the utilisation of oil resources thus gained.

German oil storage accommodation should be reduced to the equivalent of three months' civilian requirements. For a reserve in time of peace three months' supply is sufficient, and current civilian requirements can be covered by means of current deliveries. The absence of adequate storage facilities would make it more difficult for Germany to accumulate a reserve for war purposes. It is also important that the German fleet of sea, river and rail

tankers should not exceed normal civilian requirements. Likewise, it is essential to prevent Germany from manufacturing oil-boring machinery and other equipment required for the exploration, exploitation, refinement and transport of oil.

Admittedly, it would be inconvenient for Germany to have to depend on imports of refined oil for her requirements. Such inconvenience would not, however, be excessive. It is entirely out of proportion to the extent to which this measure would reinforce the safeguards against another war of aggression.

Oil is not the only raw material of which Germany should not be allowed to maintain an unduly large reserve. Her reserve of metals should also be kept down to a few months' normal requirements. Fortunately, her secondary reserves, represented by metallic objects in civilian use, have become materially reduced as a result of the systematic salvage drive which was initiated already before the war, and which was carried out with German thoroughness. There is no reason why this secondary reserve should be reconstituted. Since the German public has been able to do without iron railings, brass objects, etc., for the sake of winning the war, they should be able to do without these objects in the interests of peace and security.

The stocks of rubber, textiles, fertilisers, etc., should also be kept down to a few months' requirements. All this would not impose any hardship on the German nation, assuming of course that it has peaceful intentions.

The system of industrial demobilisation, as outlined above, is criticised not only from the point of view of appeasers but also from a point of view of practical politics. One of the possible objections is that Germany would be able to reconstruct all the dismantled industries if and when she should decide to rearm; and since in face of her rearmament between 1933 and 1939 the democracies displayed utter inaction until it was too late, there is no reason to suppose that they would behave otherwise in face of a less immediately dangerous industrial mobilisation. Beyond doubt an industrious, disciplined and well-organised nation

like Germany would be in a position to reverse the process of her de-industrialisation. It would, however, take time. If she had to start first by building up the machine tool industry and then an arms industry the process would take several years longer than it would if she already possessed a machine tool industry. The democracies would have more time to realise what was happening and to take steps. Possibly they may have learnt from the mistakes of 1933-1939, and would not neglect counter-measures until it was too late. In conjunction with the military occupation of Germany, there would be a system of supervision of her industrial activities and this alone would preclude re-industrialisation during the period of military occupation. If Germany wanted to rearm after the withdrawal of the Allied occupation armies, she would have to start from scratch.

The second objection which has to be considered, is that industrial disarmament in itself would not preclude the invention of new lethal weapons which could be produced clandestinely, and could be used without the aid of large armed forces. The laboratories of German chemical works might produce new types of poison gas ; medical research might lead to the development of new possibilities in bacteriological warfare ; German radiological science might bring into existence the legendary death ray, and, above all, the combined efforts of the best brains among German theoretical and experimental physicists might produce the dreaded atomic bomb. All this does not require the existence of vast arms industries. In theory it is conceivable that Germany could prepare for a new war by preparing secretly new deadly weapons without the possession of vast munition works.

This consideration might easily be used as an argument in favour of appeasement. It might be argued that since we have no means of preventing such preparations it would be advisable to appease Germany by granting her equal treatment after her defeat, so that she should have no grievance that might encourage her in a desperate attempt to gamble on a chance of recovering her predominant

position by such limited scientific warfare. To be logical, however, if we accepted this argument we should have to allow Germany to remain rearmed, or alternatively to disarm the democracies to the same extent. Economic equality without military equality would never satisfy Germany. She would do her utmost to circumvent limitations placed on her military striking power. From this point of view, it would not make a fundamental difference if Germany were ruled by a so-called moderate Government. It was during the 'twenties, under the Weimar Republic, that Germany devised the pocket battleship in order to achieve the maximum of striking power within the limitations imposed by the Treaty of Versailles. If she had solely been concerned with defence against aggression, she would have concentrated on coast defence battleships instead of specialising in the essentially offensive weapon of pocket battleships. The building cost of these battleships was £375 per ton as compared with £145 per ton for H.M.S. *Hood*. These ships were laid down in the early 'twenties by the "pacific" statesmen of the Weimar régime, who were already thinking in terms of commerce raiding, for which purpose pocket battleships are particularly suitable. At a time when the complaints of German propagandists about German impoverishment through reparations filled the world's Press, the so-called moderate democratic German statesmen had already made up their minds that in the next war, as in the last, their chief naval activity would be the sinking of unarmed merchantmen, and they were able to find the extra millions needed for the building of ships for that special purpose. Nor is this all. Long-distance commerce raiders could not be expected to be of much use in a war against France or Russia, the only Great Powers Germany may have had reason to be afraid of in the 'twenties. The pocket battleships were designed essentially as a weapon against Great Britain. This was done at a time when British statesmen were doing their utmost to mitigate the terms of Versailles, and when it was obvious that the only war in which Great Britain would become once more Germany's opponent would be a war in which

Germany is the aggressor. But then, perhaps the statesmen of the Weimar Republic had that possibility in mind.

This is by no means the only example to show that in Germany even a moderate Government would do its best to make use of loopholes in limitations on rearmament. It would be futile to hope, therefore, that if Germany were treated economically as an equal she would renounce the chance of exploring new avenues in chemical, bacteriological, radiological or other forms of scientific warfare.

I am aware that by calling attention to the argument that it would be impossible to prevent Germany from rearming in secret laboratories, I have presented appeasers with an additional weapon which they themselves have so far failed to discover. I am also aware that this argument, if used with the customary skill of appeasement propaganda, would appeal to the imagination of the public. The idea of hundreds, and even thousands, of German scientists engaged in secret research for the invention of new weapons with which to avenge Germany's defeat, is enough to make our flesh creep. However, since sooner or later appeasers would have stumbled on this argument in any case, it is as well to forestall them and give the answer to their anticipated argument. For fortunately there is an answer.

During the period of military occupation the danger of such inventions can be reduced materially through a strict control of Government expenditure and an even stricter control over experimental laboratories. Such control cannot by any means be complete, but it should increase the difficulty of producing results detrimental to security. It may be objected that it would place Germany at a grave disadvantage to disclose to her trade rivals all her industrial processes. It would be possible, however, to devise safeguards against pirating German inventions for private purposes. In any case, as we shall see in a later chapter, the German foreign exchange problem could be solved by a rationing of world markets by agreement, and in such circumstances the importance of keeping inventions the exclusive property of German industries would become materially reduced.

The best safeguard against the development of new scientific methods of warfare by Germany is not to try to appease the German people but to make them realise that war entails grave risks. If after this war the German nation is let off as lightly or even more lightly than after the last war, there would be the maximum inducement to take a gambler's chance by trying to destroy its opponents with the aid of atomic bombs or other deadly weapons. Had the Germans reason to assume that, should this attempt, like the two previous attempts, fail, they would be again forgiven, they would then have every inducement to make another bid for world power. If, however, a strict enforcement of drastic measures necessary for the security of the world made the German people realise that they stand to lose a great deal by a lost war, then even the invention of new weapons of immense destructive power might not induce them to risk everything. After all, there is the possibility that the democracies would have developed similar methods of warfare so that the scales would be definitely weighted in their favour, since in addition to these novel methods — the secret weapons which are necessarily unknown factors — they would have immense superiority in the more conventional weapons of warfare.

Proposals concerning the industrial disarmament of Germany are likely to be attacked by appeasers on sentimental grounds. The scheme would be denounced on the ground that it would inflict undue hardship on the German nation. Yet it is moderate in the extreme compared with the terms imposed by Germany on the countries defeated by her. It does not mean the extermination of the German race either by famine or firing squads. It does not involve the ruthless exploitation of the German people either by barefaced methods of looting or by skilled devices or trickery, such as are being applied by Germany in occupied countries. It does not even involve the total de-industrialisation of Germany, even though it is one of the chief objects of the "New Order" to de-industrialise the countries under German occupation. There is no question of applying the

German methods in full on defeated Germany. It is only industries which could be used for rearmament which would have to be liquidated. Such hardships as the application of this scheme would impose on the German people would be far from intolerable, taking the nation as a whole, even if there were hardships in individual cases. As we shall see in later chapters, various devices could be applied largely to mitigate the hardships caused by the essential security measures of industrially disarming Germany.

CHAPTER XII

AN INVERTED "NEW ORDER"

IN the foregoing chapter we tried to examine the ways in which Germany could be prevented from organising her internal economic resources after this war in the interests of another rearmament drive. Our present task is to examine the ways in which Germany could be prevented from organising the economic resources of Europe for the same purpose. For just as a military disarmament of Germany would not provide adequate security without her economic disarmament, so her economic disarmament could not be considered adequate if confined to within her own borders. The demobilisation of the German war potential is not complete so long as she can draw on the resources of the countries of her *Lebensraum* to an unduly large extent.

We saw in earlier chapters the rôle Germany's *Lebensraum* played in enabling her, between 1933 and 1939, to import abnormal quantities of raw materials for rearmament, while maintaining a minimum of imports for the civilian population. Had it not been for the privileged position Germany occupied before 1939 in the trade of a number of Continental countries, she would not have been able to rearm at such a pace. She would either have had to curtail even further the butter consumption of her civilian population or she would have had to be content with smaller quantities of guns. Admittedly, the short-sightedness of overseas nations also assisted Germany in her "guns and butter" policy. Nevertheless, the fact remains that the possession of a high degree of economic control over a number of countries has simply provided her with a dumping-ground for goods unwanted by other customers, and with a source of supply of strategic material she would have otherwise been unable to pay for. This was extremely helpful in her rearmament drive.

In the meantime, German occupation of these countries

has completed German control over their national economies, which are being forcibly adjusted to suit the purposes of the German war machine. By the end of the war, this process of adjustment is bound to have reached a very advanced stage. We saw in Chapter X that there is a school of appeasers which argues that after the defeat of Germany the economic aspects of Hitler's "New Order" should be retained as a basis for the reorganisation of Europe. This would mean, of course, that Germany would be in a more favourable position to use the economic resources of Continental countries than she was even between 1933 and 1939.

It would be absurd to allow Germany to run European economy in the interests of her own potential war economy. It is true the scheme would not be presented in that form. It would be presented in the form of a universal European collaboration on the basis of achieving a high degree of European self-sufficiency. But this is exactly what Hitler is aiming at in his "New Order". The difference would be, that instead of having a ruling race dictating to subject races, the organisation would be run, nominally at any rate, as between equal contracting parties.

Some economists who cannot be described as conscious appeasers have expressed the view that in the long run the temporary German domination over Europe which will have to be brought to an end by Allied victory, will prove to be a blessing in disguise, since at last the unruly nations of Europe will be organised into one efficient economic unit. According to these economists, the right thing is happening for the wrong reason, for Hitler is rationalising Europe. Once Hitler is eliminated, there will remain a rationalised Europe which can then benefit by its enforced rationalisation for the benefit of all. What these economists fail to realise is that, since the economies of Europe would be based largely on the *status quo* existing at the time of the armistice, it would not differ fundamentally from the system which would have been forced on Europe by Germany in case of her victory, and which would have served one-sided German interests. Since Germany would have become by then

largely the workshop of the Continent, inter-European collaboration under the scheme would assume a division of labour by which Germany would supply the agricultural countries of the Continent with manufactures, while the latter would supply her with raw materials. Any attempt at industrialisation on the part of the agricultural countries would be opposed on the ground that it would upset the European economic equilibrium. In such circumstances, even though Germany could not openly play the part of the *Herrenvolk*, in practice she would be able to impose her will on the majority of the Continental nations. And this she could do with the blessing of the democratic Allies who would approve the principle of such a European system if conscious or unconscious appeasers have their way.

The argument in favour of such a system is that it would serve the purpose of prosperity for all in accordance with the principles laid down by the Atlantic Charter. There would be nothing to prevent Germany, however, from converting the organisation which was intended for peace and prosperity into an instrument for rearmament. The requirements of a rearmament drive happen to be roughly the same as those of the efficient organisation of European economy on the lines indicated above. It would not only secure prosperity for the German nation but also a means of reconstructing, first of all her machine tool industry, then her arms industry and then her supply of arms.

Once the principle that economically all Continental countries should be complementary to Germany is accepted, the application of that principle would largely nullify the effects of Germany's internal economic disarmament and of her military disarmament. There is, indeed, no borderline between the adoption of that principle for the purposes of peace economy or for war economy.

In accordance with Article VIII of the Atlantic Charter, the signatories have undertaken to aid and encourage all practicable measures "which will afford to all nations the means of dwelling in safety within their own boundaries. . . ." One of the measures which would serve that purpose would be to organise European economy in such a way as to make

it as uncomplementary as possible to Germany. Even before 1939, the economies of Continental countries, especially of South-Eastern Europe, were far too complementary to German economy for the security of mankind. Germany was able to draw upon their resources to an excessive degree. Indeed, the state of affairs that existed in parts of South-Eastern Europe was an intermediary stage towards the "New Order" in accordance with Hitler's principles. It is therefore not sufficient to prevent extension of the "New Order" after the war, since it would help Germany to rearm. It is not even enough to prevent a reversion to the state of the relations between Germany and her *Lebensraum* such as it was in 1939. What is wanted is to ensure that Germany and the countries which she claims as her *Lebensraum* should become economically independent of each other to a high degree. In other words, what we need is an inverted "New Order". Europe should be made independent of Germany, and Germany should be made dependent on overseas supplies.

This suggestion will probably be accused of being contrary to the laws of Nature. As a matter of fact, the "New Order" itself is not such a natural growth as its supporters and apologists would like us to believe. It is true the geographical factor favours Germany's trade with the rest of the Continent, but then the geographical factor is but one of the factors determining the trend of trade. It is not always the principal factor. To take an example : on the basis of geographical location there is nothing more natural than the growing of soya beans in South-Eastern Europe to cover German requirements. In reality, this production is an entirely unnatural development, because the climatical conditions and the cost of labour compare very unfavourably with those prevailing in Manchuria. Surely, it is hardly in accordance with the laws of Nature that soya beans should be grown in Hungary, Rumania and Bulgaria merely because Germany prefers to secure her supplies in case of war. In time of peace it is to her interest to cover her requirements of soya beans from Manchuria, since in spite of the high shipping costs it is cheaper than soya beans

grown in South-Eastern Europe. Since, however, in case of war the sea route between Germany and Manchuria would be cut off by naval blockade, and the maintenance of the long land route via Siberia is also uncertain, Germany prefers to pay more for her soya beans in time of peace in order to make sure of the continuity of supply in time of war.

There are many other similar examples to show that the principle of European self-sufficiency under the "New Order" is conceived with an eye on war economy, and is not necessarily in accordance with fundamental economic laws. It is to the interest of Germany to encourage exploration and exploitation of relatively unprofitable oilfields on the Continent, for the sake of her self-sufficiency in case of war. For peace purposes it would be cheaper for her to cover her oil requirements from overseas countries producing at a lower cost, but from the point of view of her war economy it is of vital importance to encourage the exploration of oilfields in neighbouring countries, even if this was commercially unprofitable on the basis of the world market price of oil. For this reason, she prefers to pay higher prices for Rumanian oil, which again is not exactly in accordance with the laws of Nature. Admittedly, in many other respects the proposed inverted "New Order" would be decidedly swimming against the tide. We may even go so far as to admit that on balance it would be, if anything, less in accordance with fundamental economic laws than the "New Order", viewed from an isolated European point of view. However, the canons of economics must be overruled for the sake of supreme considerations of security.

Just as the "New Order" would not altogether dispense with trade between Europe and other continents, so the inverted "New Order" would not aim at dispensing with trade between Germany and the rest of Europe. Indeed, there is no reason why a prosperous trade should not develop provided that its nature is not such as to endanger once more the independence of the countries concerned. Never again must they be in a state of economic dependence in relation to Germany, for that state is a forerunner of a state

of political dependence. Above all, never again must they come to depend on trade with Germany to such an extent that they should feel compelled to supply her with vital raw materials knowing full well that she would use these materials for rearmament directed against them.

The application of the principles of the inverted "New Order" necessarily varies from country to country. In each case it raises a set of highly involved economic and technical questions. To some extent the internal economic disarmament of Germany will help towards the creation of an inverted "New Order". As a result of the demobilisation of German arms industries and machine tool industries the German demand for iron ore is bound to decline considerably. This would provide an opportunity for divorcing Lorraine iron ore from Ruhr coal. From the point of view of the security of Europe, it would be more advantageous if Germany depended on Swedish rather than on French or Luxembourg iron ore. As a result of a development of heavy industries in France, Lorraine iron ore could be fully used, even without the German market. It is to be hoped that France has now learnt her lesson and that she would establish heavy industries in districts less exposed to German invasion than North-Eastern France. It is true the proximity of Lorraine iron ore to Ruhr coal made it commercially advantageous for French industries to gravitate towards the strategically vulnerable areas of France. Considerations of security, however, must overrule commercial considerations. France missed an opportunity when after 1918 she reconstructed her devastated industries exactly where they stood before the last war. In 1940 the loss of the bulk of her defence industries after the initial success of the German thrust must have gone a long way towards demoralising the French people, Government and High Command, and must have been largely responsible for the sapping of their will to resist. Had French industries been dispersed over less vulnerable areas, quite possibly there might have been more resistance to the German invasion during later stages.

What matters from the point of view we are here con-

cerned with is that France should consume the quantities of iron ore which formerly she sold to Germany.

Similar examples could be quoted in large numbers. It is essential that the industrial countries of Northern and Western Europe should shape their economic policies with an eye to the necessity of reducing Germany's chances of covering her requirements from adjacent countries instead of depending on overseas supplies.

The same is true concerning South-Eastern European countries. From the point of view of the security of Europe, it is essential that these countries should cease to depend to an excessive degree on the German market for their products. To some extent, the detachment of Czecho-Slovakia and Austria from the Reich would automatically solve this problem, but further steps are needed to safeguard South-Eastern Europe against a preponderance of German trade. To that end it is necessary, first of all, to develop home consumption of land products by means of industrialisation. To a large degree this is justified even by the canons of the Manchester School. Agricultural countries are entitled to develop industries closely connected with agriculture such as sugar refineries, distilleries, canning industries, etc. The mere possibility of canning fruit, vegetables, meat products, etc., would considerably increase South-Eastern European independence of Germany. If they have to depend on the sale of fresh fruit, meat, etc., then they are at the mercy of the only buyer whose geographical situation is favourable. If at any time this power should refuse to buy, it can by its refusal inflict grave losses on a substantial section of the agricultural population. This dependence of South-Eastern Europe on Germany can be reduced if a large part of its agricultural products can be conserved. In that case, sudden refusal on the part of Germany to buy would leave them with the opportunity of negotiating for other markets for at least a large part of their products. It is no wonder that during the period of "peaceful penetration" Germany was strongly opposed to the establishment of canning industries in South-Eastern Europe.

Another way in which the partial industrialisation of South-Eastern European countries would reduce the risk of German domination would be through the reduction of the exportable surplus of agricultural commodities. The purchasing power of the population would increase, while if industrialisation were carried out, agricultural production would decrease. Being less one-sidedly agricultural, the South-Eastern European countries will be, for that reason alone, less dependent upon Germany.

After the experiences of this war, South-Eastern European countries will want to develop their own arms industries. There is no reason why this should be opposed. Before 1938 the Skoda works in Czecho-Slovakia were able to provide for a large part of the requirements of South-Eastern Europe, but their uncomfortable proximity to the German frontier may make it appear expedient for more distantly placed countries to have their own arms works. This again would go a long way towards increasing their independence of Germany.

In Chapter XI I pointed out the necessity of depriving Germany of the possibility of securing once more control over Rumanian oil. To that end it will be advisable for the democratic countries to make arrangements for the accelerated exploitation of Rumanian oilfields, so that by the time Germany is ready for another arms drive the Rumanian oil resources would be practically exhausted. This matter, as many others demanded by security, must be arranged in a way as to safeguard the interests of the nation directly concerned. The cost of the exploitation of oilfields which would not be a commercial proposition in ordinary circumstances should be borne partly out of a common fund to be established for such purposes.

From the point of view of South-Eastern European countries, it is essential that post-war trade relations with Germany should not interfere with their complete political and economic freedom of action. These countries are entitled to lead their own lives in their own way, instead of serving as Germany's *Lebensraum*. Even if independence meant a lower standard of living — which is by no means

necessarily the case ; in fact, a certain degree of industrialisation would raise the standard of living — it would be well worth their while to make sacrifices for the sake of safeguarding themselves against a recurrence of the unmitigated evils of Hitler's "New Order" in Europe.

This does not mean that there should be no trade between Germany and the liberated countries of South-Eastern Europe and elsewhere, or even that Germany should not be allowed to secure a larger share of that trade than any other single country. On the other hand, in no circumstances should Germany again be allowed to secure anything like two-thirds or even half the trade of any one country. For in doing so the smaller country would inevitably become dependent on her, not only economically but to a large extent politically. They should be given opportunities to develop alternative markets which would enable them to discuss trade agreements with Germany on terms of complete equality. German trade with her neighbours must be watched carefully. The gradual increase of her share in South-Eastern Europe before the annexation of Austria escaped the attention of other powers almost completely. It was only when Germany's share underwent a spectacular increase, as a result of the acquisition of the shares of Austria and Czecho-Slovakia in addition to those of the Reich, that people outside Central Europe began to take notice. After this war, even a gradual increase of Germany's share should be watched closely and steps should be taken to enable the countries concerned to counteract it before it is too late.

It is also vitally important from the point of view of Continental countries that Germany should have to *earn* her place in their trade, as she earned it before 1914. They should not be tricked into increasing their trade with Germany as they were during the period of peaceful penetration ; nor should they be forced to do so as during the period of German occupation. Germany should not be granted a privileged position in their trade as an undeserved reward for her past behaviour or as a political concession aimed at her appeasement. Before the last war, German

trade with Continental Europe was making good progress even in the absence of any special privileges. There is no reason why she should not be able to regain her old position with the aid of hard and honest work for a change, instead of commercial and currency jugglery, political blackmail and military despotism.

In spite of the industrialisation of South-Eastern Europe, Germany would have ample opportunity to expand her trade with that part of the world. Experience has proved that, as a result of increased purchasing power in agricultural countries through partial industrialisation, they become capable of absorbing larger quantities of imported manufactures. South-Eastern Europe would be importing from Germany luxuries rather than necessities, which again would increase its independence of Germany without affecting the prosperity of Germany as a whole.

It goes without saying that after their recent experiences the liberated countries will remain distrustful and will be inclined to resist undue expansion of their trade with Germany. It is for Germany to overcome their distrust and to earn an increase of trade with them by a genuine and obvious abandonment of her ambitions for political domination. The very realisation that her trade expansion on the Continent will depend on her political attitude will tend to influence her foreign politics in a pacific sense. If after this war German economic domination in South-Eastern Europe and other Continental countries were to be admitted as being her natural right, there would be a strong temptation for Germany to reinforce her economic supremacy by political control. If, on the other hand, Germany is made to realise that any revival of her aggressive *Lebensraum* policy would lead to an immediate contraction of markets and raw material resources on the Continent, there would be a strong inducement for her to remain a good neighbour. If the Continental countries are not dependent on Germany for their existence, then any revival of an aggressive German nationalism can be met by an immediate diversion of a large part of their trade. The result generally will be that Germany will depend on overseas supplies more than ever

before, and this, assuming that overseas countries also play the game, would go a long way towards increasing the difficulties of her rearmament. At the same time, the unfavourable effect of the diversion of trade on German prosperity would go some way towards making the German people realise that a reversion to aggressive nationalism does not pay.

CHAPTER XIII

GERMAN PRODUCTION AND TRADE AFTER THE WAR

THIS chapter and the next will attempt to consider the situation which will arise in Germany as a result of her industrial disarmament and the inversion of the principles of the "New Order" in general. If the Allies were as ruthless as the Germans, the greater part of this chapter would be superfluous. All we would have to concern ourselves with would be to lay down the rules which would safeguard the security of the world without troubling ourselves in the least about their repercussions on the prosperity of the German people. After all, the Germans do not seem to worry very much about the sufferings inflicted on other nations by the ruthless adoption of their schemes. Indeed, in Poland they go out of their way to hasten the extermination of the conquered people. Elsewhere they do not go quite so far, but they are utterly ruthless in their application of the "New Order", and disregard the elementary rights and interests of the subject races. The interests of Germany are regarded as the supreme law that overrules every other interest.

If the principle of the "eye for eye" were to be applied, the policy of the Allies would be the complete de-industrialisation of Germany. The aim of the German "New Order" is the de-industrialisation of the non-German countries of the Continent and the conversion of the Reich into the workshop of Europe. Accordingly, the complete inversion of the "New Order" would mean the stamping-out of industries in Germany and the reduction of the German people to an agricultural community. Since the soil in Germany is not very fertile and is somewhat exhausted through prolonged scientific exploitation, de-industrialisation would necessarily mean a sharp setback in the standard of living. Beyond doubt this would be a well-deserved punishment for the German nation for having supported the Hitler

régime. However, since the Allies have committed themselves to promises of prosperity to the German people, and since in any case the Anglo-Saxon character is far too humane to impose such a solution on Germany, it is necessary to apply the principles of the inverted "New Order" in moderation, and also at the same time to examine ways in which the unfavourable effects of its moderate application on Germany's prosperity can be offset.

There is no question of a complete de-industrialisation of Germany. Only those industries which may directly or indirectly endanger once more the peace of Europe must be stamped out after the war. To some extent the change would be justified even on economic grounds. As a result of the industrial disarmament of Germany, her economic structure would become less one-sidedly based on the prosperity of her heavy industries, which, taking a long view, would be all to the good for the German people. The weak spot of the German economic system was the preponderant rôle played by her heavy industries. The result of this one-sidedness was that after 1930, when conditions were not favourable to capital expenditure, an unduly large proportion of German industries was condemned to unemployment. The exceptional gravity of the depression in Germany in the early 'thirties was largely a result of her badly balanced industrial system. This will be adjusted by the elimination of her arms industries and machine tool industries. It is essential that there should not be a corresponding increase in German heavy industries in other directions. For engineering works could easily be converted from peace to war requirements. On the other hand, there should be no objection to "harmless" German industries. German inventive genius can be relied upon for new outlets in many directions and for creating both new branches of production and the markets for their output.

There should also be an increase in agricultural production which would absorb some of the industrial workmen who would become superfluous through industrial disarmament. On the whole, however, there is little scope for any

wholesale transfer of the German population from the cities to the land. And since it may take some years before the new lines of industries are able to absorb the surplus, a solution will have to be found for the transition period.

The solution could follow the lines of the system adopted by Germany in occupied countries. Everywhere a number of industrial plants were closed down by the occupation authorities or had to close down owing to deliberate measures by German authorities to starve them of fuel or raw materials. The workmen thus thrown out of employment were forced to accept work in the Reich. If they were unwilling to do so, the local authorities were ordered to discontinue their unemployment relief. In the case of Poland and other countries, workmen were actually conscripted for work in the Reich, while prisoners of war were largely used for executing forced labour. Deportation to the Reich is also one of the main deterrents used by the occupation authorities to discourage sabotage.

There would be no need for the Allies to resort to such ruthless methods. It seems probable that after the defeat of Germany millions of young Germans will want to emigrate. Even in the absence of compulsion it would be possible to use German working units for the purpose of carrying out the reconstruction of the devastated districts of Allied countries. In a Memorandum issued in January 1942, M. Molotov actually stated that the restoration of devastated districts of the Soviet Union by Germany was one of Soviet Russia's war aims. It would be indeed difficult for Russia and other countries which suffered heavy material damage through war to carry out the work of reconstruction within a reasonable time, without diverting too much energy from production for current consumption. Yet stocks for consumption will be utterly exhausted in all belligerent countries by the end of the war, and requirements will be immense. By employing German workmen to accelerate the pace of reconstruction, it would be possible for the Allies to satisfy the most urgent consumption demands of their populations within a reasonable time. This would not necessarily mean that the satisfaction of

German requirements would suffer a corresponding delay. Industries subject to disarmament are for the most part engaged in the production of war material or capital goods. Consequently, no German workmen would be diverted through industrial disarmament from the production of goods for civilian requirements.

Admittedly, the problem of introducing large numbers of German workmen into Allied countries is by no means simple. It raises various considerations which require careful thought. There may be differences of opinion whether the Germans should be kept in compact units or whether they should be dispersed, whether they should be treated as purely temporary labour or whether their settlement and inter-marriage with the local population should be encouraged. Some might object to the whole scheme on grounds of security. The existence of German minorities in Continental countries provided Germany with material for Fifth Column activity, and it might do so again. No undue importance should be attached to this latter argument. Unless the Germans are in the vicinity of the frontiers of the Reich, their existence as a small minority should not be a cause of danger. German settlers all over the world have formed useful parts of their respective communities before the advent of Hitler. It was only when the Nazi Government organised them and succeeded in forcing essentially non-political Germans into local Nazi groups that trouble began to arise. It is to be hoped that on the next occasion, should it arise, the various Governments will have learnt their lesson and will know how to deal with this danger. Possibly by that time the work of reconstruction will be completed and the German workmen will no longer be needed.

Another suggestion for the employment of German workmen would be for the purpose of constructing fortifications. The experience of this war has proved the necessity for all peace-loving nations to prepare well in advance the fortifications essential for defence against invasion. Even though much will be done in this direction during the war, shortage of labour and materials may prevent

Governments from doing all that is necessary. It would go a long way towards discouraging aggression if the peace-loving countries completed this task after the war, and also if they were to construct adequate deep shelters for the population. It may be objected that fortifications constructed by German workmen will have no secrets from the German High Command in the next war. It is therefore a better plan to use German workmen for reconstruction and thus release local workmen for the task of fortification.

Yet another plan for employing surplus German workmen would be for the execution of ambitious colonial exploitation schemes. Means of transport in backward areas could be improved and vast territories could be made fertile through the construction of canals and drainage. Indeed, there will be no lack of constructive projects if there are hands available.

The voluntary method of recruiting German workmen will not be the only difference between the methods to be employed by the Allies and those employed by the Germans under the "New Order". While Germany paid conscript labour practically starvation wages, the German workmen employed in Allied countries would be paid proper wages. Those who choose to leave their families in Germany would be in a position to remit part of their wages, and this would result in substantial invisible exports for Germany.

The employment of German labour abroad would kill several birds with one stone. From the point of view of security, it would reduce the number of Germans living in the Reich, which is all to the good. In particular, since most workmen taking employment abroad would be of military age, this would reduce German potential striking power. The system would secure full employment within Germany and thus obviate the recurrence of wholesale unemployment. Last but by no means least, it would contribute towards repairing the damage caused by Germany through her attacks on other countries. About this question more will be said in a later chapter.

The extent to which full employment would maintain a high standard of living in Germany after the war depends

on the extent of devastations in Germany. If these were really extensive, their reconstruction would absorb a large proportion of German labour, and production for current requirements would inevitably suffer. The degree to which German prosperity might be affected thus depends on the duration of the war and the circumstances of its termination. If the German people choose to support Hitler for years this will necessarily mean increasing destructive air raids on German cities. If resistance is prolonged until Allied forces have defeated the German armies on German soil, it will inevitably mean that the Allied forces inflict extensive destruction as they fight their way through Germany. For the first time since 1813, the Germans would feel the devastation of war on their own territory on an extensive scale. As part of German man-power would be employed after the war abroad, it would take many years for Germany to reconstruct her cities. Meanwhile, her people would have to be satisfied with a reduced standard of living.

It depends entirely on the German people whether they will be in a position after the war to produce for their own current requirements and maintain a high standard of living, or whether they will have to divert a large proportion of their productive capacity to make good the destruction caused by war. If the German people should choose to support Hitler to the last, then they will have only themselves to blame for a prolonged period of hardship. It would be too much to expect the Allies to go out of their way to enable the German people to maintain their current consumption in spite of the necessity for reconstructing what need never have been destroyed had it not been for the stubbornness with which the German people supported the Hitler régime and prolonged the war.

CHAPTER XIV

THE FOREIGN TRADE OF POST-WAR GERMANY

WE saw in Chapter XII that in the interests of security it will be necessary to increase German dependence on imports. We also saw in the same chapter that from considerations of security it is essential to discourage an excessive expansion of German trade with Continental Europe. This would mean that after the war a large proportion of German requirements would have to be satisfied with the aid of imports from overseas. Indeed, it is Germany's extensive dependence on seaborne imports that would tend to discourage her from embarking on a war of aggression as a result of which her overseas supplies would be cut off by naval blockade.

The question is, How is Germany to pay for these overseas imports? Her gold and foreign exchange assets were negligible at the outbreak of the war, and even though she succeeded in looting substantial amounts in conquered countries, those ill-gotten gains, in so far as they have not been spent, will have to be restored to their rightful owners. Germany will have no foreign investments to fall back upon. She will have to pay for her current imports out of her current exports, visible or invisible. Her export trade, moreover, will be handicapped to some extent by her industrial disarmament. Before the war Germany was a large exporter of arms, and before her rearmament she was a leading exporter of machine tools. After this war she will cease to be a producer of arms, and it is one of the fundamental points in the scheme of economic disarmament put forward in this volume to make it necessary for Germany to import even her machine tool requirements. Beyond doubt these two items would make a substantial hole in Germany's trade balance.

On the other hand, as a result of German industrial disarmament, her requirements of raw materials and fuel

imports will be reduced considerably. Should Germany be able to increase her agricultural production, to that extent her food import requirements would decline. A much more important factor affecting German imports will be a decline in her population. By the time full victory is achieved, millions of Germans will have died on the battlefield, through air raids; and through the effect of war conditions on public health. While the death rate will increase between now and final victory, the birth rate is likely to decline — in spite of rather unconventional efforts made by the German authorities to keep it up — as a result of unfavourable conditions of public health, and of the growing pessimism regarding the prospects of Germany. After victory a large number of Germans will be recruited for reconstruction work abroad, and many others are likely to emigrate on their own initiative. All these factors will lead to a material decline in German requirements of food and raw materials.

Notwithstanding this, through the application of industrial disarmament and of the principle of the “inverted New Order”, by which Germany must be precluded from unduly expanding her trade with Continental countries, there will be a deficit in her trade balance which must be met. Germany must be enabled to increase her exports overseas in order to be able to increase her imports from overseas. The solution of this problem can be approached in several different ways.

(1) It has been suggested that, after victory, Germany's equal treatment should be carried so far by the Allies as to agree to the restoration of her pre-1914 colonies. To do so, however, would amount to rewarding the unpardonable support of Hitler by the German people, and would convey the impression that after all aggression does pay, to some extent, even in case of defeat. Nor would the restoration of Germany's old colonies solve the problem. Before the last war, German trade with these colonies amounted to a negligible percentage of her total foreign trade. During recent years, German colonial agitation set itself a much more ambitious task than obtaining the restoration of those

overseas territories which Germany lost as a result of the last war. Many spokesmen of the Nazi "New Order", from Hitler downwards, and many non-political German experts demanded for Germany a place in the tropical sun, and claimed that those nations which secured the most valuable colonial possessions by being first in the field must relinquish some of their colonies in Germany's favour.

There are strong arguments against placing under German administration any colonies, whether they belonged to Germany before the last war or not. Even before the doctrine of the superiority of the Aryan race was invented, German colonial administration was characterised by ruthless exploitation of the natives. When, after the last war, the British local authorities in the former German colony of the Cameroons invited on one occasion local chiefs to discuss the terms on which the native population would undertake to build a road, the chiefs were utterly perplexed and found it difficult to understand the British attitude: "You are our lords and masters. Why don't you order us do the work as the Germans did?" Being used to German administration, they found it simply past comprehension that the authorities should pay for service, considering that with their superior military power they would be in a position to force the natives to work for nothing. If the German attitude towards colonial administration was unsatisfactory before 1914, how much more unsatisfactory would it be now that a generation has been brought up in the belief that coloured races are submen whose sole *raison d'être* is to satisfy the requirements of the ruling race. In spite of the defeat of Germany and the elimination of the Nazi régime, it would take some time before the doctrine of Aryan superiority could be eradicated and before defenceless native peoples could be trusted to the mercies of German rulers.

The allotment of colonies to Germany would be an unsatisfactory solution also from the point of view of the security of the world from German aggression. The colonies could easily be developed into bases of great strategic importance, which would secure for Germany great initial

advantages if and when she should choose to embark upon another war. Moreover, one of the fundamental requirements of security is that German imports of key raw materials should be kept under control in order to prevent her from importing quantities in excess of normal civilian requirements, either for the purpose of clandestine rearmament or for the purpose of building up war reserves. It would be very difficult to check the shipment of German-produced colonial goods conveyed to German ports in German ships. Possibly, after a lapse of some time, a genuine change in the attitude of the German nation might justify a claim for the revival of the colonial question. It will probably take at least a generation, however, before the democracies can feel safe in putting Germany in full charge of colonies.

(2) An alternative suggestion is that of the pooling of all colonial possessions under an international administration in which Germany would participate. This administration would then allot to Germany the raw materials she requires for normal economic purposes. It would be outside the scope of this book to examine in detail the proposals concerning joint colonial administration. Possibly it is feasible, judging by the tolerably satisfactory results of the international administration of Tangiers and Shanghai—until they were seized by one of the participants in the international administration. While it is conceivable that a beginning might be made by placing certain possessions under international administration in which Germany could participate, it is most unlikely that any of the big colonial empires would agree to transferring all or even most of their colonial possessions to such a régime. If everyone could be certain that, in doing so, peace would be safeguarded, there might be a great deal to be said in favour of such pooling of all countries whose population has not yet reached a sufficiently advanced stage to qualify them for at least dominion status if not total independence. But to disintegrate existing empires without knowing whether such sacrifices would entail the desired results would be more than either Great Britain or France or Holland or

other colonial nations could reasonably be expected to do.

(3) Another possible solution would be to pool all raw materials produced by colonies, without interfering with the political administration of the colonies. Those who put forward such suggestions fail to explain, however, what they have in mind regarding payment for raw materials. Is Germany supposed to be allotted raw materials out of the pool without any payment? If not, the proposed scheme would not in any way solve her problem of covering peace requirements from overseas.

Most people when talking about the necessity for making raw materials accessible to Germany seem to be under the impression that before this war Germany was not in a position to buy raw materials abroad. In reality, she was able to buy as much raw material as she needed, provided that she could pay for it. There was over-production in most raw materials during the pre-war period, and any raw-material-producing nations would have been only too pleased to sell surpluses to Germany at the prices prevailing in the world market. British colonial administrators would not have thought of placing an embargo on the export of raw materials to Germany, since better export trade meant prosperity for the native peoples, contentment and higher taxation revenue. It is true to say of most raw materials that there was enough for everyone who wanted them and could pay for them. From this point of view, the pooling of raw materials would not make any difference unless it is accompanied by a scheme of free allotment to countries unable to pay for them.

(4) What really matters is that Germany should be allotted overseas markets for her exports in order to be able to pay for her legitimate requirements of raw materials. If this is done, it matters little whether colonies are under German administration, non-German mandates, international administration or their old rulers. What is needed is to make sure that Germany can derive compensation for the loss of her export trade caused by measures adopted by the peace treaty. It would be necessary to enable German export trade to overcome prejudice against German

goods, which existed for some years after the last war, and which will presumably exist after this war. If it is found that Germany cannot export through normal channels sufficient goods to pay for legitimate imports, then it is for the Allies to earmark certain markets for the benefit of German trade.

From this point of view, the Düsseldorf Agreement of March 16, 1939, laying down basic principles of collaboration between British and German industries, might well serve as a pattern for a post-war system. That agreement itself was most unpopular in Great Britain, and rightly so, because its conclusion at the time and in the prevailing circumstances was a first-class political blunder. It formed part of the efforts to appease Germany, and had the agreement of principle been followed by the conclusion of detailed agreements between various branches of industry, the only result would have been to increase Germany's economic war potential. I was among those who attacked this agreement which was ill-timed and which tended further to encourage German aggressive designs. Moreover, the fact that it was confined to industries of two countries while remaining industrial countries were simply invited to sign on the dotted line under the threat of a joint Anglo-German trade offensive was in itself sufficient to doom the scheme.

There is every reason, however, for reconsidering the idea in totally different conditions. In March 1939, when British industries, encouraged by the Government, adhered to the idea, their action amounted to playing from weakness. If after victory the idea were to be revived, it would amount to playing from strength. In the changed circumstances, the allotment of markets would not amount to appeasement.

The scheme may be objected to on the ground that it would eliminate competition in the sphere of foreign trade. This need not necessarily be so. There is no reason why in certain markets competition should not be allowed a free hand, provided that it does not degenerate into cut-throat competition. On the other hand, it might be a convenient solution to allot certain overseas markets entirely to

Germany. For instance, the allotment of former German colonies as an exclusive sphere for German export trade might have much to commend it apart altogether from the immediate commercial advantages derived by Germany. Even though these colonies would remain under a non-German mandate, or some other form of non-German administration, economically Germany would be in a position to derive as much benefit from them as she could legitimately derive. Any additional advantage that German administration of these colonies would serve could only be obtained by the exploitation of the native peoples. Germany should be given every opportunity to secure the products of these territories, but she would have to pay in full in the form of exports. The fact that the territories would be under non-German administration should not constitute a major grievance and even less an obstacle to German commerce and industry in the colonies. After all, Germany has in the past developed overseas territories over which she had no political control.

This system would secure for Germany all the imports she could legitimately claim, so long as she intends to keep the peace. It is only if she intended to use these raw material resources for the preparation of another war that the disadvantages of non-German administration, from the point of view of German aggressive designs, would become evident. But then the whole idea of post-war security demands that this should be so. This is the underlying idea behind Article IV of the Atlantic Charter, promising equal access to victor and vanquished to "the raw materials of the world which are needed for their economic prosperity". The accent lies on "economic" prosperity. The aggressor States could hardly claim equality of access to raw materials needed for the essentially non-economic purpose of rearmament.

CHAPTER XV

CAN GERMANY PAY REPARATIONS ?

BEFORE examining the question as to whether defeated Germany will be able to pay reparations on any substantial scale, it is necessary for us to deal with the question of whether she should be made to pay reparations. There is already strong opposition to any attempt to make her pay. All appeasers are of course of the opinion that she should be let off completely. They would like the Allied Governments to make a binding promise to that effect, and argue that such a promise would go a long way towards weakening the determination of the German people to fight the war to the bitter end. They point out that during the post-war period no part of the Treaty of Versailles was so intensely hated in Germany as the reparations clauses. Persistent propaganda, which was pursued not only by extremists but also by the Weimar régime itself, denounced reparations persistently over a period of twenty years. During the course of time an intense hatred developed in Germany against the very word "reparations" as well as against what it stood for. The fact that in reality the victorious Allies collected no reparations from Germany for the immense damages inflicted by her on them, and that, on the other hand, Germany has been collecting "reparations" from her conquered victims since 1938 even though they had done her no harm whatever, is of course conveniently ignored by the German people.

The intense hatred of reparations provides appeasers with the argument that if only the Allies committed themselves in advance against imposing reparations, it would weaken the determination of the German people to support Hitler rather than to expose themselves to the "horrors" of another Versailles. This argument is based on the assumption that if the Allies promised the German people immunity from reparations they would be believed by the great

majority of them. In reality, this seems to be utterly unlikely ; for were the Germans not told innumerable times that regarding reparations the Allies broke the promise implied in President Wilson's Fourteen Points that only damage done to civilian property would be claimed ? The decision of the Allies to include the amount of pensions paid to victims of the war has been denounced by German writers as a gross breach of faith, on the ground that, after all, even though the recipients of the pensions are civilians it is the Government who pays pensions. But at that rate the Germans would have had equal grounds for directing the weapons of their sophistry against the Allied claims arising from the reconstruction of devastated areas in countries such as France where the Government paid indemnity to the victims. However this may be, there are few Germans who are not utterly convinced that the Allies broke their promise regarding reparations after the last war. The fact that this belief is utterly unjustified would not in any way lessen the distrust of Germans regarding any promises the Allies may make concerning reparations. No sooner were any such promise made than it would be discredited to the German people by a sweeping propaganda campaign organised by Dr. Goebbels and his assistants. In such circumstances it would be utterly futile to undertake such a commitment which would produce no effect on the German nation.

The Atlantic Charter gives no indication whether its signatories intended to exempt Germany from reparations or not. Its general references to prosperity for all and freedom from want could of course, with a little effort, be interpreted as indicating unwillingness to burden defeated Germany with reparations. Moreover, on repeated occasions various Allied statesmen emphatically promised the German people prosperity after the war. It is true, on the other hand, that other Allied statesmen emphatically declared in favour of forcing Germany to repair the damage her armies have done in occupied countries. As a matter of fact, the conflict between these statesmen and those holding out to the German people the prospect of prosperity

is more apparent than real. Provided that no crippling burden is imposed on Germany which would lower and keep down the standard of living for a prolonged period, it will be possible to make her pay reparations without departing from the letter or spirit of the Atlantic Charter and other statements made by responsible Allied statesmen. Nothing that has been stated so far in official quarters commits the United Nations against the principle of reparations. It is to be hoped that no such commitment will be made during the war, since it would utterly discourage those Allies who have suffered the most under German occupation.

Opponents to an imposition of reparations on Germany are not confined to appeasers. Many people in Great Britain and the United States are against it on the grounds that it is, in their opinion, impracticable. They point out that the efforts of the Treaty of Versailles to collect large amounts had utterly failed in their object and have cost the recipients of German payments more trouble than Germany itself. It goes without saying that appeasers make the maximum of use of this argument, which does not prevent them from denouncing the Versailles system in the same breath on the grounds of the gigantic amounts extracted from the unfortunate German people. It is high time that these appeasers should realise that they cannot have it both ways.

One thing is certain. There must be no repetition of the mistake made at Versailles by imposing on Germany an utterly ineffective system of reparations. The main reason why reparations failed to produce any result from the last war was that the statesmen of Versailles ignored the elementary principle that international payments can only be made in the form of goods transfers. All the reparations claimants wanted to get cash and vaguely hoped that somebody else would take the German goods which would make such cash payments possible. The events of the post-war period conclusively proved the utter futility of this attitude. While in the early 'twenties Mr. Keynes's protest against the absurdity of the system was a lone voice crying in the wilderness, in the 'forties not even the most illiterate

demagogue has any excuse for ignoring the fact that reparations can only be collected in the form of goods or services. The possibility of collecting reparations from Germany depends on her ability to supply goods in the form of an export surplus and our willingness to absorb these goods.

That it is possible to collect reparations has been amply proved by Germany during the last few years. Those who argue on the grounds of the failure of the Versailles system against reparations must have been asleep since 1938. Otherwise they could hardly have failed to notice the striking success of Germany in the art of exacting reparations from the victims of her aggression.

Germany laid hands, in the first place, on all Government property, but she did not spare private property. Payment made for goods purchased in occupied countries by Germany is purely fictitious, since it is the conquered peoples who provide the German authorities with the money. For details of the methods which have been employed by Germany in their exploitation of conquered peoples, I have to refer the reader to my earlier books *Hitler's "New Order" in Europe* and *Europe in Chains*. Perhaps the reason why so many people fail to realise that Germany has been collecting reparations on a vast scale is that the word "reparations" has not been used in connection with the German demands. Germany merely collects "occupation costs" and "fines" from the subject races. The fact that the occupation costs bear no proportion whatsoever to the actual cost of the upkeep of the German armies in occupied countries, and that fines are quite out of proportion to the offences committed, should in itself show the true nature of these payments. But then perhaps it would be really incorrect to describe these payments as reparations. After all, the victims of German aggression did no damage to Germany any more than Lafontaine's lamb disturbed the drinking water of the wolf who happened to be drinking higher up on the stream. The amounts collected by Germany could not rightly be described as reparations or indemnities. They simply constitute a tribute imposed on the vanquished

by the victor on the sole basis of the principle that " might is right ".

With the aid of payments received from the conquered peoples Germany is not only able to cover the costs of occupation by German troops and to import large quantities of their goods but also to buy up the control of their industries. If, instead of resorting to this method, Germany had simply seized without compensation everything she wanted whether movable or immovable, and if she called it reparations, this procedure would at least have the merit of candour. As it is, the imposition of reparations or tribute on German victims is camouflaged by devices which are as sophisticated as they are hypocritical.

Beyond doubt a great deal could be exacted from Germany by taking a leaf out of her book. She certainly has taught the world a lesson in the efficient collection of reparations. It seems certain, however, that the Allies will not resort to the German methods even though they might adopt some of the ideas in a mitigated form. In fact, the German systems of collecting reparations subject to modifications dictated by ethical considerations would produce substantial results if applied against defeated Germany.

The following are a few of the possible methods of collecting reparations from Germany without reducing the German people to poverty or starvation :

(1) The removal of all war materials. Properly speaking, this does not constitute an act of reparation but an act of disarmament, or seizure of military booty. One of the favourite methods of German writers during the post-war period, engaged in exaggerating the burden of reparations, was to allow for the value of war material surrendered to the Allies under the terms of the Armistice or peace treaty. In reality, the German nation was in no way poorer by surrendering the weapons she forged for the destruction of her opponents. These weapons did not constitute part of the national wealth proper, since they were of no economic value either for production or consumption. The only part of the amounts involved which could be of value to a disarmed Germany would be the metal content of scrapped

war material. It is essential that this scrap metal should be removed from Germany.

(2) If at the time of the termination of hostilities Germany should still possess stocks of raw materials accumulated for war purposes, these should be removed. The value of these reserves may be regarded as reparations ; much of it would be restored to its rightful owners in liberated countries.

(3) The restoration of all stolen property may of course be regarded as a form of reparations. One of the first tasks of the Allied occupation authorities will be to discover the property removed from countries formerly under German occupation and to return it to its owners. By such means a great deal of rolling stock, machinery, art treasures, etc., could be removed from Germany.

(4) Furthermore, the machinery released from industrially disarmed Germany could be removed and used for the equipment of factories in liberated countries which were destroyed during the war. Germany would also possess a certain amount of surplus railway material as a result of the demolition of strategic railway lines and of industrial disarmament, which process might release also lorries and barges.

(5) A large part of the German merchant fleet should be seized to replace the tonnage sunk by U-boats and the Luftwaffe. While the chances are that by the end of the war progress in shipbuilding in this country and the United States will lead to the restoration of British tonnage to its pre-war figure, some of the smaller Allies will emerge from the war with their merchant fleets sadly depleted. After the way in which these fleets have served the Allied cause, the least these countries are entitled to expect is that their merchant fleets should be completed to pre-war level with the aid of ships seized from Germany and her allies.

(6) As far as possible Germany should contribute towards the reconstruction of devastated areas by delivery in kind, and by despatching German working units for that purpose. Selfish considerations of sectional interests which after the last war frustrated the scheme of deliveries in kind

must not be allowed to prevail. Germany should be made to contribute her share in reconstruction to the limit of her capacity. There would be ample work left for local industries, for owing to the vast requirements and the urgency of the task, Germany is not likely to be able to carry out in any case more than a fraction of the work. The question of the part to be played by German workmen in the work of reconstruction has been described in detail in Chapter XIII and we need not go into this point again.

(7) Any purchases of real property or securities made by Germany in occupied countries will be cancelled without compensation ; in so far as the buyers were private interests it is for the German Government to compensate them.

With regard to the occupation costs of the Allies in Germany, these should be shared by the Allies and Germany. The funds required for local expenditure should be supplied by the German Government but any food or other supplies should be provided out of the common fund, to which each of the Allies must contribute its due share. Considering that Germany collected from the countries occupied by her amounts equivalent to a multiple of her actual occupation costs, this solution would be decidedly on the lenient side. Nor would the burden be excessive on the German people, considering that they would be relieved of the necessity of maintaining German armies.

Beyond this, there should be no reparations burden imposed on Germany. On the other hand, commercial debts, such as the amounts owed by the Reichsbank to the liberated countries as a result of German import surpluses from those countries, should be settled. An agreement must also be reached concerning German pre-war indebtedness.

Admittedly, the total amount obtainable under the above heads is not likely to run into astronomical figures. It will not represent more than an insignificant fraction of the total costs of the war. But then it would be absurd to imagine that a single country would be in a position to repay all the enormous amounts spent by three-quarters of the world during the course of a long and very costly war.

The amounts that can reasonably be collected from Germany will not even cover anything like the total damages caused by the destruction of civilian property by Germany. The value of property destroyed is immense and it would take generations for Germany to reconstruct all of it or to pay for its reconstruction by the nationals of the countries concerned. It is not even possible to state for certain whether the amounts to be collected from Germany will be equivalent to the amounts obtained by Germany from the countries under occupation. By far the greater part of the property looted will have been destroyed by the end of the war and cannot be restored to its rightful owners.

Should the war continue for some years, the amounts collected in the form of import surpluses, and of financial payments under the heading of occupation costs or fines, will reach a very high figure. Any realistic attempt at collecting such amounts from Germany would either reduce the German standard of living below subsistence level, or it would require the adoption of a system of reparations to extend over several generations, which is inexpedient if not impracticable. In all probability there will be extremists who, at the end of the war, will demand that Germany should be made to pay in full. It is to be hoped, however, that the electorates of the democratic countries will not be allowed to be carried away by demagogic slogans incapable of fulfilment.

After the last war there was an orgy of wishful thinking in this respect. The French finance minister, M. Klotz, in order to justify his extravagant expenditure on reconstruction, put out the slogan : "*L'Allemagne payera tout*". It is well worth remembering that Marshal Foch, though not a financial expert, was realistic enough to declare : "*Avec ce Traité, l'Allemagne nous payera en monnaie de singe*". In Great Britain Mr. Lloyd George, acting on the advice of a committee of financial experts, went to the elections of 1918 with a programme of collecting from Germany many milliards of pounds.

It is to be hoped that the experience gained between the two wars will introduce a sober and realistic atmosphere.

into the discussion of the reparations clauses of the peace treaty. Instead of resorting to the method of thinking of a figure running into thousands of milliards, trebling it, and adding to it a few more thousand milliards, the experts in charge should think in terms of Germany's productive capacity and should bear in mind the necessity of making reasonable-living conditions in accordance with the principles laid down in the Atlantic Charter. That is, if the German people should qualify for the benefits under the Atlantic Charter by surrendering before they are crushed by the victorious Allied forces. If they should prolong the war to the utter limit of their endurance, then there is no reason why their interests should not be completely disregarded by the victors. In that case there should be relentless exploitation of Germany's wealth and labour by the Allies, and the sole consideration to be borne in mind should be that an intelligent system should be devised and applied efficiently.

CHAPTER XVI

CONCLUSION

THE proposals contained in the foregoing chapters concerning measures to safeguard the peace of the world after this war, are based largely on the principles of the Atlantic Charter. It is essential, however, to realise that the Atlantic Charter is not a treaty but a unilateral undertaking given by Great Britain and the United States and subsequently endorsed by the other Allies. Certain promises were made to the Axis nations without making it plain that there must be a *quid pro quo*. Even in the absence of any explicit stipulation, however, it should be evident that these promises are not unconditional; that their fulfilment depends on the degree and duration of support given by the German people to Hitler.

It would be most unfortunate indeed if the German people were allowed to assume that the promises embodied in the Atlantic Charter could be claimed as a right even if they continued to support the Hitler régime for years, and even if the Allies were to be forced to fight the war to the bitter end. Unless this is made clear, the Atlantic Charter will fail in one of its main objects, namely, to shorten the war by assuring fair treatment to the German nation should it cease to support its present aggressive rulers. It would be most deplorable if the German people were allowed to take it for granted that they can claim as their right the benefits arising under the Atlantic Charter, even if they continued to fight for years; even if they killed and maimed many more millions of Allied soldiers in the battlefields; even if vast numbers of innocent hostages are executed in cold blood in occupied countries; even if entire towns and districts are stamped out in savage reprisals; and even if Germany inflicted the horrors of gas warfare on mankind.

I wonder if those who demand that Germany should be

given forgiveness in advance, not only for her past crimes but also for the crimes she is to commit between now and the end of the war, realise their grave responsibility? What their attitude amounts to is an assurance given to the German people that they are quite safe in murdering innocent civilians and can violate all the laws of warfare with impunity. Any agitation in favour of forgiving the German people in advance, and of differentiating between the gang of "Nazi" criminals and the great mass of "innocent German people", tends to encourage German soldiers to execute orders given by their commanders for committing atrocities, and even to commit atrocities on their own account. To that extent, the blood of the victims of German brutality is on the conscience of these appeasers—that is, in so far as they have a conscience. To the extent to which they are believed in Germany their agitation tends to prolong the war and make it incomparably more savage. This is true to a much higher degree concerning the promises embodied in the Atlantic Charter; that is, unless the Allies make it plain that their promises are conditioned by the future behaviour of the German people between now and the end of the war.

It will be remembered that during the autumn of 1918, when the tide of the German armies had turned on the great retreat in France, the retreating armies were razing to the ground before their withdrawal towns and villages beyond the limits of military necessity. That is what the Germans were doing in Russia during the winter of 1941-42. They must be made to realise that this cannot be done with impunity and that the Nazi Party leaders and generals are by no means alone regarded as being responsible for this destruction. Unless this is made quite plain, unprecedented horrors will be inflicted on the unfortunate victims of German occupation just at the moment when their liberation is within sight. As soon as the Germans realise that the game is lost, they will give full vent to their sadism and vandalism, knowing that for some time at any rate this would be their last chance for enjoying themselves in such fashion. Their leaders will think it advisable to convert

the countries which are to be evacuated into deserts in order to weaken the power of the liberated countries to oppress the defeated German nation. In his insane rage, Hitler may order mass executions and destruction before his power is definitely smashed. If that is encouraged, or even allowed to happen by the promise of pardon to those who willingly execute these orders, then the liberating armies will find vast cemeteries and shambles in the place of formerly happy and prosperous communities.

Appeasers are moving heaven and earth to induce the Allies to draw a rigid distinction between the innocent German people and its criminal leaders ; but the fact of the matter is that the German people showed themselves willing and eager accomplices in the crimes committed by Hitler and his gang. The scientific thoroughness and inhuman savagery with which mass executions and destruction are carried out and with which the conquered countries are looted bears witness to the spirit in which the German armies, which after all represent every class of the German people, are prepared to support Hitler in his criminal career. Reports from liberated Russia and from German-occupied territories effectively debunk the picture, painted by appeasers, of German soldiers looting by order of their commander, with the utmost reluctance and distaste. If the appeasers have their way, millions of German workmen, farmers, clerks, and shopkeepers, dressed up in uniform, will continue to murder and destroy to the last, until their weapons are wrested from their hands. They will then turn round, and with brazen assurance they will demand their inalienable rights to immunity of punishment under the Atlantic Charter.

This will not do. Unless the Allies make it plain right away that there are conditions attached to the Atlantic Charter, they will only encourage the German people to support Hitler to the last and to kill and destroy in the process. In the interests of shortening the war and of mitigating its destructions, the Allied statesmen must make it plain that the promises under the Atlantic Charter do not hold good indefinitely and unconditionally, and that there

is an alternative which will be applied if the German people choose to prolong their support of Hitler and to execute the inhuman orders given by him and his lieutenants.

The oppressed peoples having suffered agonies under German rule are thirsting for revenge. Unless the leading Allies exert their moderating influence, the pendulum might easily swing in the opposite direction after the defeat of Germany. Human nature being what it is, Poles, Russians, Czechs and the rest of the oppressed peoples will want to give back as much as they received in the way of brutality. It is for the Allied Governments to prevent their armies from following such impulses. Their task will not be easy, however, if their armies have to fight their way to final victory through German territory. Unless the German people choose to overthrow their present criminal régime before their resistance is finally crushed by Allied forces on German territory, it is impossible for the Government to give any undertaking to safeguard the defeated nation. Those Allied troops who fight their way to Germany through the ruins of their own countries will not be in a mood for keeping on their velvet gloves when dealing with the civilian population, and military discipline has its limits when strong human emotions are at work. If the German people want to spare themselves the horrors of being conquered by armies, they must abandon Hitler before it is too late.

Moreover, if in spite of the promises embodied in the Atlantic Charter the German nation should choose to prolong the war, and to continue or even increase the degree of ruthlessness with which it is fought, then the peace terms should be entirely different. In that case, the German people will not be entitled to expect that the Allies should pay any attention to their vital economic needs. Measures necessary for safeguarding the world against another German aggression should then be applied ruthlessly without the least regard to their effect on the prosperity of the German nation. The inverted "New Order" should then be applied in full. Germany should be deprived of her industries just as she intended to de-industrialise the

countries conquered by her. The German Army, after its surrender should be kept as prisoners of war and used for forced labour in connection with the reconstruction of the towns and villages it destroyed. Following the German example, the victorious Allies should then have the right to seize everything in Germany that can be of any value to their nationals. The art treasures of German museums and picture galleries should be used to compensate the Allies for damage which cannot be repaid in any other way.

All this would mean abject poverty for the German people and a decline in their standard of living and deterioration in their culture. The German people would be reduced to the status to which they intended to reduce the conquered countries of Europe, that of a subject race, providing mainly unskilled labour under foreign control. This is not the fate intended for the German nation by the majority of its opponents. If, however, the German nation should drive its opponents into extremes by its prolonged support of Hitler and by its unhesitating complicity in his crimes, then this is the fate it deserves instead of the considerate treatment it would receive under the Atlantic Charter.

It should be one of the principal tasks of political warfare to make it plain to the German people by every possible means. A certain amount has already been done in this direction. Propaganda broadcasts in German often emphasise that even though under the Atlantic Charter the German people are promised prosperity, the more the war is prolonged the more difficult it will be to put this undertaking into operation because of the general impoverishment caused by prolonged waste and destruction. The implication is that the advantages derived by the German people from the Atlantic Charter will decline gradually as the war becomes prolonged. The alternative would be to present the German people with an ultimatum that after a certain date they need no longer expect any advantages from the Atlantic Charter. This method would be more spectacular and possibly more effective, but its

effect would largely depend on the coincidence of the date chosen with a deterioration in the German military situation, which in any case would tend to weaken support given to the Nazi régime. If by any chance the German military situation should improve shortly before the "ultimatum" expires, the propaganda campaign would be bound to fall flat, for the majority of the German people would prefer to bank on the victory of German armies than to rely on the Atlantic Charter. For this reason an ultimatum would be a gamble and on the whole the method chosen by official propaganda appears to be more satisfactory. On the other hand, this propaganda would carry more weight if it were not based solely on the economic argument of world-wide deterioration through prolonged war, but were reinforced by a declaration that Germany's relative share in the world's prosperity should also be reduced as a result of her prolonged refusal to accept the promises made under the Atlantic Charter.

Hitherto we have confined ourselves to discussing the post-war position as far as Germany is concerned. A book attempting the examination of the ways in which the democracies can win the peace would not be complete, however, without examining how the conclusions reached in the earlier chapters would apply to Germany's allies. The Atlantic Charter does not differentiate between Germany and other aggressor powers. According to Article VIII they will all have to be disarmed after the war. As far as this principle is concerned, it calls for no specific interpretation. It will be necessary for the Allies to disarm Italy and Japan as well as Germany, while the minor satellites of Germany will have to be treated according to their merits. It is also certain that to ensure their disarmament they should be subject to military occupation. Nevertheless, owing to the stress often laid by Allied statesmen on both sides of the Atlantic on the fact that Germany is the major offender, it seems reasonable to expect that in practice there will be differentiation between her and her allies in the application of disarmament and military occupation.

As far as Italy is concerned, it seems reasonable to

assume that her aggressive spirit is largely the outcome of Mussolini's personal ambitions and the aggressive nature of his political régime. While Germans, especially Prussians, are fundamentally aggressive and domineering, the same cannot be said about Italians. It may take generations before the spirit of the Prussians can be tamed through prolonged Allied occupation and other measures. In the case of Italy, military occupation will probably need to be of a very short duration, because the chances are that, once the Fascist system is removed, the Italians will then revert to their original easy-going character.

This does not mean of course that no precautions should be taken against a revival of the aggressive spirit instilled into the Italian people by Mussolini. In Italy as in Germany, economic disarmament will have to be carried out in addition to military disarmament. Arms industries will have to be dismantled and her capacity to build up new arms industries must be curtailed. Since, however, Italian capacity in this respect bears no comparison with German capacity, the burden imposed on the Italian people by such measures would be incomparably smaller. Similarly, owing to the fact that Italy is far less self-sufficient even than Germany, the principles of industrial disarmament and the "inverted New Order" need not be applied in her case to an extent comparable with their application to Germany. As for colonies, as soon as the Italian people shows evidence of a true change of spirit, there is no reason why Italy should not be allotted some overseas possessions. It is important, however, that these possessions should not give her potential strategic advantages in another war, comparable with the advantages she possessed in this war, through her proximity to the Suez Canal.

In the case of Japan militarism and imperialism is not so deeply rooted as in Germany, but sufficiently deeply rooted to require far-reaching measures of precaution. Her military occupation will probably have to be more prolonged than that of Italy, but less than that of Prussia. The degree of economic disarmament necessary in her case will probably be nearer to that applied to Italy than to Germany,

for in any case Japan is considerably less self-sufficient than Germany. Without giving a catalogue of specific measures, one may refer to the necessity for the exhaustion of the Sakhalin oilfields by forced exploitation, and also for the destruction of all Japanese synthetic oil plant.

As for the smaller satellites of Germany, Slovakia will become once more part of Czecho-Slovakia and Croatia will be joined to Yugoslavia. In their case, disarmament, whether military or economic, will be an internal matter for their own Governments. As far as these countries and Hitler's three other vassals, Hungary, Rumania and Bulgaria, are concerned, there will have to be a thorough-going sorting-out of minorities. The solution of that problem lies largely in an exchange of populations accompanied by the territorial adjustment necessary for finding room for the expatriated minorities. It is only by such drastic measures of uprooting millions of people, by removing them from countries they inhabited for many centuries, that potential causes of war can be reduced to a minimum. Thinking in terms of history, the sufferings caused by the uprooting of peoples — suffering which in any case can be reduced to a minimum by the co-operation of all countries — would be well worth while if, as a result, truly friendly relations can be established between these small countries.

It will be essential to establish some sort of political and economic federation between the small nations of South-Eastern Europe. A beginning has already been made in this direction through the conclusion of an agreement between Greece and Yugoslavia in January 1942. This agreement provides for far-reaching co-operation in the political, economic and military spheres, and foreshadows monetary and customs union. The establishment of similar federations between countries which form a geographical unit is well within realms of practical possibility. Such schemes are more realistic than ambitious but somewhat Utopian ideas of a European Federation or world union. The establishment of a close association between the South-Eastern European countries would go a long way

towards securing their independence of Germany. This would be in accordance with the "inverted New Order", by which Germany would be made dependent on overseas supplies in strategic raw materials.

The military and economic disarmament of Germany and her allies is in itself not a sufficient safeguard against another war. It must be supplemented by the maintenance of overwhelmingly strong armed forces at the disposal of the peace-loving countries. They must display such an immense superiority in armed strength as to discourage every hope of Germany and her allies ever to achieve supremacy again either on land, sea or air. In the economic sphere, Great Britain and the other democratic countries must remain rearmed. They must not allow their arms industries to deteriorate or become obsolete through disuse. They must maintain and increase their machine tool industries with the aid of which they can produce up-to-date arms at short notice. They must build up reserves in strategic war materials. To that end it would be advisable to build up a system by means of which commodity reserves should serve as security for note issues. Such reserves could absorb any unsaleable surpluses and would go a long way towards securing much-needed stability for the economies of raw-material-producing countries. As far as Great Britain is concerned, it would be a matter of elementary wisdom not to neglect once more agricultural production and to maintain both shipping tonnage and shipbuilding capacity.

Every one of the above suggestions raises vast problems which cannot be dealt with adequately in this volume. Here we must confine ourselves to dealing with the general argument that they are likely to encounter, namely, that all this preparedness in time of peace will be very costly and will preclude the possibility of freedom from want as promised under the Atlantic Charter. Actually, costly as these measures are bound to be, their expense would be a fraction of the wealth and capacity wasted through chronic unemployment and through lack of planning in general. By world-wide planning and rationalisation it would be

possible to obtain a very substantial margin of additional prosperity.

Even so, it would be idle to pretend that the solution proposed would be ideal; but then the world we live in is not an ideal world and it would be gross self-deception to imagine that this war will bring about some miraculous change in human nature in general and in German human nature in particular. It would be much more popular to advocate a solution of general disarmament based on the assumption that neither the Germans nor any other people would ever attempt world domination by force. Unfortunately there is no justification for such a degree of optimism. All that we are entitled to hope for is that the realisation that any fresh attempt at domination is doomed to failure would bring the would-be conquerors to their senses. If the terms of the peace treaty are fixed in a way which will make the German people realise that they stand no chance and that this time they have to accept their defeat as final, there is a reasonable hope that sooner or later the German people will change for the better. In course of time the German people will earn the forgiveness of mankind and will prove themselves worthy of full equal treatment and confidence.

Many readers may be disappointed because this volume, though dealing with post-war problems, has devoted practically no space to the discussion of methods of post-war co-operation in the economic and political spheres. Many advocates of such co-operation firmly believe that Germany could safely be admitted on equal terms to any federation scheme, since by relinquishing her sovereignty she would abandon her means of rearming for aggression. Possibly some form of political and economic federation will be attempted after this war, though it would be premature to say how far it will go. If some such attempt is made we must hope that it will be a success. We must pray that it should be a success. We must work with all our abilities to make it a success. What we must *not* do, is to make the security of the world entirely dependent on its success. During the course of history the world has

witnessed the disintegration of alliances, federations and empires. We have no right to assume that the federation to be formed after this war will last for ever. If we disarm on the assumption that the federation is permanent and then it disintegrates, the peace-loving nations will be once more at the mercy of the races which fundamentally believe in the doctrine that might is right. The only chance for us to win the peace is if we face post-war problems with sober realism.

THE END

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