

TOPICS OF THE DAY

IS THE END IN SIGHT?: KEEP THE ALLIES UNITED: TURMOIL IN
OTTAWA: ECONOMIC MISSION OF LORD KEYNES.

PROPHECY about the future fortunes of war or politics is always a hazardous enterprize, but at long last there seems solid ground for the confident belief that Hitlerite Germany has shot its bolt and that the war in Europe is now in its penultimate stages. History may well be repeating itself. In March, 1918, Ludendorff's vicious drive against the British Fifth Army, after meeting with a great initial success, proved to be the last offensive kick of the Kaiser's *Reichswehr* and, with civilian morale at home undermined by long privations, it proved after July incapable of checking the powerful counter-offensive which the Allies launched, with the result that within four short months its leaders were suing for an armistice. Now von Runstedt's offensive through the Ardennes Mountains has suffered a fate similar to that of Ludendorff's assault. It is true that he dislocated the plans of the allied commanders on the western front, and created temporary pessimism in the allied countries, but he has lost the terrain which he overran much quicker than Ludendorff did, and his gains have been small compensation for enormous losses of men and material.

Now that this desperate sortie has failed, the German High Command has to face a far worse situation than confronted Hindenburg and Ludendorff in the summer of 1918. Since the Russians had then given up the struggle, and the allied forces in Italy and the Balkans constituted no immediate menace, they could concentrate most of their resources upon holding the western front, but they failed to hold it. Now von Runstedt and his associates have to cope with a beleaguering host of enemy armies, which encircle the Reich and press home powerful and sustained assaults in half a dozen sectors simultaneously. Of these assaults by far the most formidable is on the eastern front, where the gigantic offensive launched by the Russians has within two weeks achieved a series of spectacular successes. Already the greater part of the defensive line which the Germans had constructed in Western Poland has been battered down; one Russian army has invaded Silesia, another is at the gates of Poznan, only 165 miles from Berlin, and a third, driving north towards Danzig, is threatening to entrap all the German troops which are trying to hold East Prussia. But at a time when the Germans must make tremendous efforts to hold Silesia, whose

loss would entail the sacrifice of one-quarter of the power of their industrial war machine, they cannot afford to withdraw troops from the defence of their other two great arsenals, the Ruhr and Saar Valleys, because the drives against them are certain to be resumed at once. It is hard to see how the leaders of the *Reichswehr*, with their depleted resources of manpower and material and their inferiority in the air, can hope to hold all three of these arsenals, and the loss of two of them or perhaps even one would have such a crippling effect that the prolongation of Germany's resistance would be futile. All reports agree that the morale of the German people is now very weak, and the tone of the Nazi-controlled press has suddenly become so pessimistic and defeatist that it might be interpreted as a warning to the Germans that the doom of unconditional surrender now faces them. So the prospects are now very bright that before the trees are in leaf again, Europe will be freed from the horrible nightmare of Nazism.

Consequently the Allies may have on their hands any day a vast addition to the many complicated problems of European reconstruction which they are now trying to settle with mixed degrees of success. But it is very fortunate that at this juncture the Roosevelt administration shows evidence of an honest intention to take an active hand in the settlement of these problems. As long as President Roosevelt had an election to win, his political exigencies compelled him to walk very warily in his treatment of European problems, lest by taking positive action he alienate racial groups like the Italians and Poles, who were important factors in the voting in different key states. Therefore it suited his book to let his late Secretary of State, Mr. Cordell Hull, a conservative southerner, persevere with his chosen policy, known as the "Tennessee formula", that the United States should abstain from any direct responsibility for the settlement of European problems until some organization for world security on the lines of the plan drafted at the Dumbarton Oaks Conference had actually come into existence.

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GRATITUDE to the United States for the timely succour which she gave to Britain in the darkest hours of the war is still a powerful sentiment in the hearts of the British people. But in certain circles, notably in the financial world of London, there is an underlying resentment about the immense prestige and

influence which the United States can now wield in the world. Admittedly, too, liberal elements in Britain, who do not share this resentment and are sincerely anxious for close cooperation with the United States, have had their patience severely strained by unfounded and malicious criticisms of British policies made by isolationist papers like the *Chicago Tribune* and anti-British politicians like Senator Wheeler of Montana. But there is no sense in an influential paper like the London *Economist* playing the game of the propagandist machine of the Nazis, which is working day and night to foment dissensions between the Allies. It registered a notable success when it deceived and enraged, not long ago, thousands of Americans by a faked imitation of a B.B.C. broadcast, which represented General Montgomery as a master strategist whose skill had rescued a large body of American troops from a calamitous defeat, disparaged their fighting qualities, and criticized American isolationism. So Field-Marshal Montgomery's appeal for a cessation of trans-atlantic bickerings was very timely and should be heeded.

These same recriminations add force to the argument that the projected meeting of President Roosevelt, Mr. Churchill and Marshal Stalin cannot come too soon for hope that future historians will be able to regard the present war as merely the bloody birthpangs of a new and better world. The very effective cooperation of the allied democratic powers in the military sphere has not found a parallel in any effective coordination of their actions in the political sphere, and as a result there have been ominous signs for the framework of the post-war world. Part of the responsibility for this dangerous development lies with the ingrained disposition of the Roosevelt administration to qualify its proclamation of admirable principles and announcement of excellent objectives with an insistence that decisions about vital and urgent issues should be postponed until after the war. Both Russia and Britain have found such postponement of vital decisions about the nature and activities of government in territories in which their armies are campaigning a serious handicap to military success, and accordingly each of them has felt compelled to make unilateral decisions about some of the most pressing problems confronting them.

If Mr. Raymond Daniell of the *New York Times* is to be believed, the British and Russian Governments reached an agreement at Teheran, under which the Russians, in return for getting a free hand as far as Britain was concerned to work

their will in Eastern Europe and the northern part of the Balkan peninsula, accorded a similar latitude to the British in the basin of the Mediterranean. But the result of their separatist actions in different countries has not been exactly happy. When the *Times* of London, the *Manchester Guardian* and the *New Statesman* make common cause in condemning the policy which the British Government has adopted in connection with Greece, it must be virtually indefensible. There need have been no fighting and bloodshed in liberated Greece if the offer of the Leftist forces represented by the organization known as E.L.A.S. had been accepted. They were willing to give up their arms, provided the Royalist forces, which, after they had been purged of all Leftist elements, had been transported to their homeland from Egypt, did the same. But the British authorities on the spot, acting presumably under instructions from London, insisted that, while the Leftists must disarm, the Royalists should retain their arms for the purpose of preserving law and order. Naturally the Leftists, who had played the chief part in clearing the Germans out of Greece, were not ready to accept such a onesided arrangement, and thus to put themselves at the mercy of their political enemies. So, if their attempt to secure control of the government of Greece by force of arms was misguided and doomed to failure, it was at least intelligible, and deserved more sympathetic handling than it received from Mr. Churchill.

If he now seems to have made out a fair case for intervention in Greece, it is still hard to see valid defence for the British treatment of Count Sforza. Why should any pledge have been exacted from this liberal aristocrat, who had refused to bow the knee to Mussolini, that he should never work against Marshal Badoglio, who had been that ruffian's pliant tool for years? Why should a British emissary impose a veto upon Count Sforza's appointment to be Italy's Foreign Minister? Such actions indicated an ominous antipathy on the part of the British government to the installation of genuinely liberal governments in the emancipated countries, and were in ill conformity with the principles of the *Atlantic Charter*. They produced a flood of hostile criticism from organs of liberal opinion in the United States like the *Nation* and the *New Republic* and, besides alienating American liberals, they furnished invaluable ammunition to isolationist mischief-makers who had all along contended that Britain was warring for her own selfish ends and had through the agency of Roosevelt

dragged in the United States as her catspaw. These criticisms of British policy provoked reprisals from the London *Economist* in the form of as foolish and harmful an editorial as ever appeared in the pages of that famous journal. It might have been written by some British collaborator of Mr. Hearst and Col. McCormick in the work of causing dissension between Britain and the United States, and it carried additional weight to increase American anger owing to the fact that one of the chief proprietors of the *Economist* is Mr. Brendan Bracken, the British Minister of Information and one of Mr. Churchill's closest confidants.

The continuance of the spate of transatlantic press bickerings, which flowed for several weeks, was bound to increase the difficulty of securing the support of American public opinion and the approval of the Congress of the United States for even such a minimum plan for the achievement of peace and security as the plan drafted at Dumbarton Oaks represented. So there loomed up a real danger for the framework of the post-war world. But the present British and Russian Governments could advance the reasonable excuse that as long as the United States washed her hands of all responsibility for the settlement of European problems, they had no alternative but to look after their own interests according to their lights. Mr. Roosevelt, however, has now provided himself with a Secretary of State in Mr. Stettinius who is completely sympathetic with his own ideas about taking an active hand in the settlement of Europe's problem, and if under their guidance the United States exerts its very powerful influence to secure such settlement on liberal lines, there will be a quick revival of hopes which had been waning, that there can emerge as one of the gains of this terrible war a broad-based international authority, endowed with power to suppress aggressors and guarantee peace and security to the world.

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In one of the most amusing political books ever written, the Hon. George Peel, a grandson of the great Sir Robert, told a diverting story of relentless pursuit of the late Earl Balfour by the Chamberlainite Tariff Reformers in the opening years of this century, and of the deft manoeuvres and skilful evasion through which that bygone master of political legerdemain tried to avoid a definite commitment to Protectionism (of which he strongly disapproved). A similar book could now be

written about the persistent pursuit of Mr. Mackenzie King, since the present war began, by the Canadian advocates of unlimited Conscription, and the long series of manoeuvres and compromises through which he has sought to evade responsibility for such a measure. The latest of these compromises enabled him to surmount a very grave political crisis, which confronted him when his pursuers received the powerful reinforcement of his Minister of National Defence, Colonel Ralston, who returned early in November from the battlefronts. The Colonel came back convinced that the pool of infantry reinforcements was depleted to a dangerously low level, and that immediate removal of the existing limitation upon Conscription was imperative, if the fighting units of our overseas army were to be maintained at efficient strength.

His demand for instant action resulted in a bitter controversy inside the Cabinet, which was aggravated by Mr. King's dismissal of its prime author, and the complete dissolution of the Ministry was in the end averted only by a compromise through which authority was taken to send overseas conscripts up to the number of 16,000. But this concession to his pursuers cost Mr. King the services of another of his abler Ministers, Major Power, the Minister for Air, and the goodwill of some 30 French-Canadian Liberal members, who expressed their disapproval of his capitulation by opposing the vote of confidence sought by the Prime Minister in fulfilment of an earlier pledge during the short session of Parliament summoned at the end of November.

These are heavy debit items to be shown on a balance-sheet in which the credit account can claim the avoidance of an immediate general election, the retention in the Cabinet of its five French-Canadian members, and, possibly, the recruitment of General MacNaughton, lately commander of our overseas army, as Colonel Ralston's successor in the Ministry of National Defence. Eminent soldiers have rarely, as the careers of the Duke of Wellington and General Grant bear witness, made successful politicians, and in his political debut General MacNaughton finds himself in a singularly equivocal position. He was brought into the Cabinet as the avowed sponsor of a policy which would avoid any departure from the voluntary system for overseas service, and now that this policy has been repudiated and abandoned, the normal conventions of British political life would, if observed, have dictated his resignation.

So, having elected to remain in the Cabinet and seek a

seat in Parliament at a byelection in the North Grey riding of Ontario, it is little wonder that he finds himself a storm centre of nation-wide controversy and the target for attacks of almost unprecedented bitterness. The mystery which surrounded his retirement from the command of our overseas army has never been cleared up to the satisfaction of the public, and his opponents are now alleging that his resignation did not take place of his own freewill, but was forced upon him by a pronouncement of the British High Command that he was temperamentally unfit to hold an important trust in the field. It is an open secret that the true reasons for his retirement were disclosed by Mr. King to the leaders of all the Opposition groups at a private conference. If the publication of the relevant documents could rebut the innuendoes against General Man-Naughton's professional competence and stop what must be an unpleasant ordeal for him, it should take place without delay. But, if no rebuttal is possible, and he was pronounced an unsuccessful commander by his peers, then he may have a better prospect of proving a successful politician. Even if he wins the byelection, it is doubtful, in view of the widespread unpopularity which he has acquired with the fighting forces and the veterans' organization by his championship of voluntarism, whether his accession to the Cabinet will give Mr. King anything but very limited compensation for the loss of Colonel Ralston and Major Power.

The Prime Minister emerged personally from the crisis with not a few roses fallen from his chaplet, stripped off by once friendly hands. Resigning Ministers are not expected to be benevolent and tender to chiefs from whom they part company, but there must be few parallels in British political history for the measured indictment, gaining force from its moderate language, which Colonel Ralston directed at his former leader in his speech in the House of Commons on November 29th. It shook the faith of Mr. King's most valuable press supporter, the *Winnipeg Free Press*, to such a degree that, after it had accepted the compromise as a satisfactory solution and resumed its backing of the Government on general policy, it was moved to write on December 22nd an editorial entitled "Footnotes on the Crisis". This, coming from a friendly source, dealt a much more damaging blow to Mr. King's reputation than any fulminations of avowed opponents ever did.

Opening with the dictum that "Responsible government as we know it depends upon the confidence of the people that their

public men will keep faith and honor their pledged word", it subjected to analysis Mr. King's pledges in regard to Conscription, the divergent interpretations placed upon them, and the two distinct instalments of the crisis which Mr. King's government survived. Then after declaring that the result of the decision to send the drafted men overseas was to create in the public mind "an impression not of adherence to principle laid down, but only of deft manoeuvre", it proceeded to deliver itself of this searing verdict:

Democracy is not a sickly plant which requires for its nurture the performance of miracles. These are not a substitute for straightforward action. The people of the country do not hanker for spectacular performances of this kind. They are plain straightforward folk, and the growing myth that a Prime Minister can always be depended upon to escape from tight corners by sheer cleverness does not enhance him in their eyes.

The circumstances of this crisis were exceptional, and on that account as well as his long and invaluable public services Mr. King can be certain of indulgence. The garland is not to be won without dust and heat, but we feel sure that no one will less prize the gain and regret more the loss in this matter than Mr. King himself.

At the end of a long public career, Campbell-Bannerman gave a word of advice which fits this occasion well. It was this: "The man who walks a straight road never loses his way."

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FAR too little attention has been paid by the Canadian press and public to the conference recently held in Ottawa between Canadian Ministers and a British mission headed by Lord Keynes, the trusted counsellor of the Churchill Ministry on economic and financial policies. The avowed immediate concern of the mission was the conclusion of financial arrangements which would permit the continuance of British purchases of war materials in Canada, but this issue inevitably brought into the field of discussion the much wider and more important problem of Anglo-Canadian trade relations in the post-war era. This conference was a prolonged affair, and the absence of any official disclosures about its results seems to indicate that very little headway was made at it towards the solution of a problem whose treatment promises to have a very important bearing upon the economic fortunes of Canada, and may well have disturbing effects upon our present political alignments.

The core of the problem is the patent inability of Britain to find ways and means in the immediate future of paying for

a volume of imports from Canada on the pre-war scale. In 1937 their value was roughly 402 million dollars; in 1938, the last full year before the war, 337 millions; and in these same years the values of British exports to Canada were respectively about 147 and 112 million dollars. An unfavorable trade balance, which averaged at least two to one in the years preceding this war, was liquidated by Britain through the interest payable on British investments in Canada, through returns from shipping and insurance services rendered to Canada, and through a surplus which she possessed each year in her exchanges with the United States. But, since the war began, Britain's interest payments from Canada have been materially reduced by our government's repatriation of at least 800 million dollars worth of Canadian securities held in Britain, and as the result of parallel transactions south of the border she will have no surplus left to her credit in her exchanges with the United States, while there is no certainty that the returns from her shipping and insurance services in Canada will reach their pre-war level.

Obviously Britain cannot afford to part with any of her shrunken gold reserve to pay for imports, and accordingly her government is faced with the stern necessity of driving very hard bargains about trade, particularly with countries like Canada, which are without the so-called sterling area. A corollary of the decision that after the war Britain must stand upon her own commercial feet, and must not increase her already onerous load of debt by taking on credit goods for which she cannot pay in cash, would be a trade policy of barter arrangements, through which she would limit her purchases of imports from each foreign country to the value of the credits which it had built up with her each year through the purchase of British goods. For the effective pursuance of such a policy, Britain has one very powerful instrument in the high consumptive demand of her population of 46 millions, and she is evidently prepared to use it to the limit of its power.

If this policy were applied to her trade exchanges with Canada, our exports to Britain would be curtailed to about 125 million dollars worth per annum, unless some increase in the value of our imports from Britain was achieved, and there is little doubt that Ottawa has been notified of the possibility of such a contingency. There is, of course, considerable scope for a readjusting bargain which would increase the annual value of our imports from Britain. But, unfortunately for Canada, Britain has the prospect of much more profitable trade

deals with competitive food-exporting countries like Denmark, Argentina, and New Zealand, because the latter have no large body of vested manufacturing interests which would resent, as Canadian manufacturers with rare exceptions do, any large additional inflow of British goods as an obnoxious invasion of sacred domestic preserves. Already spokesmen of our manufacturing interests, seeing danger ahead, have been proclaiming their firm determination to resist any diminution of the tariff protection now available against foreign competition and, when the war ends, they will have valuable ammunition for their cause in the argument that our factories must be kept working at the peak of their capacity to provide employment for our returned veterans. But on the other hand our natural producers, the farmers, the fruitgrowers, the lumbermen, the fishermen and certain important mining interests cannot hope to enjoy reasonable prosperity and a decent standard of living, if a lack of export markets, which will absorb their surplus production in excess of domestic needs at profitable prices, causes accumulated gluts, whose certain effect is to depress the general price level for their products. Any serious curtailment of the British market for Canada's exports of natural products would soon have disastrous effect for a variety of Canadian interests, because owing to the poverty of the other European countries no substitute markets are likely to be available for some time ahead. So, as soon as such a development becomes imminent, our natural producers are certain to band themselves together in a crusade for the lowering of Canada's tariff duties to a level which will permit a substantial increase in the inflow of imports from Britain and other countries. The more enlightened among our manufacturers see the cold facts of the situation, and realize that they themselves cannot hope for any great prosperity if the purchasing power of our natural producers is gravely impaired. But the number of manufacturers who are ready to support a tariff policy designed to encourage more imports is very limited, and a revival of the old rôle of the tariff as the chief dividing factor in our political alignments can be forecast.

In this event the Liberal party would see a hope of recovering strength as the champion of lower tariffs, and Mr. John Bracken, whose outlook on trade policy is distinctly Liberal, would find himself in a grave quandary as leader of the Progressive-Conservative party, to which the great majority of our manufacturers have traditionally given their allegiance.

Equally difficult would be the position of the leaders of the C.C.F. party, for the industrialist trade unionists of our cities and towns, who form the core of its voting strength nowadays, would take a view of tariff policy very different from that of its agrarian supporters in Saskatchewan and other western provinces. In the past the trade policies of the United States have had important effects upon the fortunes of Canada's political parties, and it is now on the cards that British trade policy will have as great an impact upon them.

J. A. STEVENSON